113TH CONGRESS, 2d Session | HOUSE OF REPRESENTATIVES | REPT. 113–733, Part 1

POSTAL REFORM ACT OF 2013

JULY 31, 2014.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. ISSA, from the Committee on Oversight and Government Reform, submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H.R. 2748]

[Including cost estimate of the Congressional Budget Office]

The Committee on Oversight and Government Reform, to whom was referred the bill (H.R. 2748) to restore the financial solvency of the United States Postal Service and to ensure the efficient and affordable nationwide delivery of mail, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

CONTENTS

49–006

The amendments (stated in terms of the page and line numbers of the introduced bill) are as follows:

Page 136, line 7, strike "and".

Page 136, line 9, strike the period and inserting "; and".

Page 136, after line 9, insert the following:

"(H) the specific methods by which mailpiece design analysis may be improved to speed the approval process and promote the increased use of innovative mailpiece design.".

Page 46, line 3, strike "Federal law" and insert "Generally Accepted Accounting Principles and Federal law (including regulations)".

Page 108, line 1, strike "3962" and insert "3692".

Page 132, strike line 11 through line 22 and insert the following:

SEC. 703. FAIR STAMP-EVIDENCING COMPETITION.

Section 404a(a) is further amended by—

(1) in paragraph (3), by striking "or" (as added by section 103(f)(1));

(2) in paragraph (4) (as added 103(f)(4)), by striking the period and inserting "; or"; and

(3) by adding at the end the following:

"(5) offer to the public any postage-evidencing product or service that does not comply with any rule or regulation that would be applicable to such product or service if the product or service were offered by a private company.".

Page 29, line 12, strike "and".

Page 29, line 23, strike the period and insert "; and".

Page 29, after line 23, insert the following:

(vii) in the case of any Level-Two Postal Service Executive, the expense incurred by the Postal Service for non-cash awards or honorary recognitions covered under section 4503 of title 5, United States Code, may not exceed a combined total of $200 with respect to any full year in the control period.

Page 9, line 5, insert "is designated as a National Historic Landmark," after "Places,".

Page 8, line 17, strike "may" and insert "shall".

Page 9, line 17, insert "or physical safety risks" after "hardship".

Page 11, after line 2, insert the following (and make the necessary technical and conforming changes):

"(3) PROCEDURES.—In carrying out conversions under paragraph (1), the Postal Service shall establish procedures to—

"(A) solicit, consider, and respond to input from the general public, postal patrons, State and local governments, local associations, and property owners which shall include but not be limited to a minimum of a public community meeting prior to the commencement of the conversion of a community, prior to the completion of the conversion of a community and at any point in the process when the District Manager makes a change to the delivery method or the location of centralized delivery points;

"(B) calculate and make publicly accessible the cost or savings of the conversion to the Postal Service as well as the average conversion cost or savings to each postal patron and any cost or savings to the State and local government; and

"(C) place centralized delivery points in locations that maximize delivery efficiency, ease of use for postal patrons, and respect for private property rights.

Page 13, after line 16, insert the following (and make the necessary technical and conforming changes):

"(8) INSPECTOR GENERAL AUDIT.—The Inspector General of the Postal Service shall issue an annual audit report on the implementation of the conversion requirement from paragraph (1) not later than 90 days after date on which the Postal Service releases its annual report under paragraph (7). At a minimum, the report under this paragraph shall contain—

"(A) an audit of the data contained in the Postal Service's report under paragraph (7); and

"(B) an evaluation of the Postal Service's implementation of the procedural requirements described in paragraph (3).

Page 20, line 17, strike "(d)".

Page 102, line 19, insert "(1)" before "Section 3627".

Page 102, after line 20, insert the following:

(2) The table of sections for chapter 36 is amended by striking the item relating to section 3627.

COMMITTEE STATEMENT AND VIEWS

PURPOSE AND SUMMARY

H.R. 2748, the Postal Reform Act of 2013, is a bill to restore the financial solvency of the United States Postal Service and to ensure the efficient and affordable nation-wide delivery of mail. The legislation would institute a large number of targeted reforms designed to enable the Postal Service to cut costs, streamline operations, find opportunities for revenue growth, and adapt to Americans' declining demand for paper-based communication. Instituting these reforms now will help the Postal Service address its growing unfunded liabilities, ensure retirement obligations to postal employees are fully met, and preserve affordable universal post service for all Americans—all while avoiding a one-time or ongoing taxpayer subsidy. H.R. 2748 accomplishes this by authorizing the Postal Service to implement a 5-day mail/6-day package delivery schedule, requiring the Postal Service to transition away from "to the door" delivery in favor of curbside and clusterbox delivery, and bringing in new senior management with a clear mandate to rapidly bring expenses into line with revenue. Other key provisions of the bill will help modernize the Postal Service workforce, streamline postal regulations, and encourage postal product innovation.

BACKGROUND AND NEED FOR LEGISLATION

Today, the United States Postal Service is insolvent. Since its peak in fiscal year 2006, mail volume is down more than 25 percent and revenue is down $10 billion. In fiscal year 2012, the Postal Service posted a record loss of $15.9 billion. These losses not only exhausted all of its remaining statutory borrowing authority, they also necessitated a default to the federal government on $11.1 billion for two payments due to the U.S. Treasury to pay down unfunded liability for postal workers' retiree health care. Since then, the Postal Service has defaulted on a third such payment, bringing its total default to $15.7 billion.

This is not a temporary cash-flow problem. The Postal Service projects mail volume to continue to decline for the foreseeable future as Americans continue to shift away from paper-based communication in favor of digital alternatives. Despite shedding well over 100,000 career positions since fiscal year 2006, the Postal Service has still failed to reduce costs fast enough to align with its diminished annual revenues. As a result, the Postal Service is currently operating with a mere handful of days worth of liquidity, even as it had amassed $113 billion in unfunded liabilities by the end of fiscal year 2013. As Postal Service losses continue, there is a very real risk that without Congressional intervention in the near future, a taxpayer subsidy will be necessary to continue normal nationwide mail delivery.

HISTORY

The American postal service has existed in one form or another since before our Constitution. As section 101 of title 39, United States Code, states, "The Postal Service shall have as its basic function the obligation to provide postal services to bind the Nation together through the personal, educational, literary, and business correspondence of the people."

While this basic mission has remained unchanged for decades, the Postal Service has, from its inception, continually evolved to meet the changing needs of the American people—primarily via the introduction of new services and the reduction of unnecessary ones. One major step toward our modern Postal Service came in 1863, when free home delivery first began in urban areas. At the time, this service almost always involved letter carriers personally handing mail to customers, rather than leaving it in a box or slot. Prior to that date, Americans were required to venture to a post office in order to collect their mail. Although it took several more decades, free home delivery was extended to rural areas in 1902. Additionally, in the early decades of the 20th Century, many residential addresses received mail delivery twice a day, and businesses received mail up to four times per day.

As the use of mail changed, however, these services changed as well. With letter carriers waiting as much as an hour per day for patrons to answer the door, in 1923 the Postal Service instated the first requirement for a mail slot or box for delivery. Further, by 1950 the Postal Service phased out the second residential delivery, and multiple deliveries to businesses disappeared soon after. Importantly, these changes enabled the Postal Service to become more efficient, keep prices down, and ultimately better serve the customer.

The 1970 reform

Despite the best efforts of many involved, the postal system by 1970 was edging toward disarray. Conditions deteriorated to such a degree that in March 1970 postal worker strikes broke out around the nation, eventually involving more than 150,000 postal employees. The workers were protesting low wages and unsafe working conditions and it was clear to all observers that the Post Office Department needed fundamental reform in order to properly address both the valid concerns of the workers and crumbling postal infrastructure. In response to this problem, Congress enacted the most significant postal reform in the nation's history. This law, known as the Postal Reorganization Act, fundamentally transformed the institution from a taxpayer-subsidized, cabinet-level agency, to a self-supporting, independent entity within the Executive branch of government.

After more than a century and a half of operation, on July 1, 1971, the Post Office Department ceased to exist and was replaced by the United States Postal Service. While much of the customer-facing infrastructure remained unchanged, the institution was now essentially chartered to act in a business-like fashion. Prior to the 1970 reform, the law stated that the Post Office Department "should be operated in an efficient manner," but also that "it clearly is not a business enterprise." The 1970 law reversed this paradigm and, in the words of the House report on the legislation, provided the "authority to conduct the affairs of the Postal Establishment on a business-like basis." As a result, business principles largely replaced political influence in the decision-making of the postal establishment. After 1971, postmasters were no longer appointed by the President, Congress no longer determined postage rate increases, and the taxpayer subsidy of postal operations was phased out. Instead, postmasters began to be selected on merit, not patronage; the Postal Rate Commission was created to properly adjudicate rate increases; and the break-even standard came into force, requiring postage rates to cover the operating expenses of the newly founded Postal Service. In addition, non-management postal employees were granted the right to collectively bargain over wages and benefits, a virtually unique privilege among federal employees even today.

The ultimate result of the 1970 act was a grand bargain of sorts. On the one hand, the new Postal Service was freed from direct political control and given billions of dollars in taxpayer-owned assets to begin its operations. On the other, the agency was specifically designed to be self-funding, and taxpayers were supposed to be protected from funding the new agency. Upon its creation, the federal government handed over to the newly created Postal Service—free of charge—all of the assets of the existing Post Office Department. This included more than 30,000 post offices, tens of thousands of vehicles, a trained workforce of 700,000 employees, and a monopoly on the use of the mailbox, and a second monopoly on First-Class Mail. In return, the Postal Service was expected to maintain universal access to postal services nationwide, run the institution at a break-even rate, pay the pension and retiree health care benefits of all postal workers, and operate without taxpayer subsidy.

The 2006 Reform

Overall, the 1970 reform was an unquestionable success. Labor issues were equitably addressed, and postal infrastructure was modernized, mechanized, and, ultimately, large portions were even automated. The break-even standard, however, had the unfortunate effect of discouraging the Postal Service from making difficult cost-cutting decisions as mail usage began to change. Rather than cut costs and increase efficiency—a potentially painful option that frequently entailed confronting specific and vocal interests—the Postal Service could break even by using its monopoly power and simply choosing to raise rates. At a time when the postal monopolies had great value, raising rates was an economically viable strategy: even if postage rates increased, individuals and businesses often had little choice but to continue to use mail. By the late 1990's, however, the power of the postal monopoly became increasingly diluted by the emergence of more alternatives to mail, many of which provided faster, secure communications at rapidly decreasing costs.

The volume of profitable First-Class Mail peaked in 2001 as customers increasingly substituted electronic alternatives for hard-copy letters, placing the Postal Service under growing financial pressure. Meanwhile, it also faced mounting unfunded obligations for retiree health benefits for its aging workforce, primarily because those benefits were financed on a "pay-as-you-go" basis, unlike pension benefits. Further, a growing consensus concluded that the lengthy rate-setting process under the 1970 law was preventing the Postal Service from responding quickly to an increasingly competitive marketplace. In short, the Postal Service's world was changing and it was becoming clear the Service and the laws governing it would have to change with it.

In 2006, after more than a decade of debate, Congress passed the Postal Accountability and Enhancement Act (PAEA), a law specifically designed to prepare the Postal Service for the likelihood of continued declines in profitable mail volume due to increased market competition from electronic communication. The 2006 law built on the 1970 reform by enabling the Postal Service to operate even more like a business. This was done through the creation of an effective profit motive for the Postal Service. The break-even mandate was eliminated and replaced with a price cap that limited future postage rate increases to the rate of inflation. The cap prevented unchecked rate increases, but it also allowed the Postal Service to turn a profit by increasing efficiency and cutting costs. The cap was designed to make the Postal Service begin to look inward to address budget shortfalls in the exact same way as it would respond if the value of the monopoly declined and inflation-based rate increases were to fail to generate sufficient revenue. Further, the 2006 law gave the Postal Service greater flexibility to set and change postage rates, especially for competitive products such as Express Mail and Priority Mail. This greater price flexibility was balanced with protections to ensure fair competition, transparency, and accountability.

With liabilities for retiree expenses continuing to accrue, the law also required the Postal Service to shift to a "normal cost" method of funding retiree health care. This shift was to begin with a ten-year period when benefits would continue to be paid under the pay-as-you-go method, but with additional funds set aside as "catch-up" payments to pay down a large portion of the unfunded liability. After the 10 year period, the Postal Service would convert to a normal cost system where funds were to be set aside for retiree health care during the employees' careers, in the same manner as the employees' pensions. Once that conversion occurs, the Postal Service's remaining unfunded liability for retiree health care would be amortized over a 40 year period.

Taken as a whole, the reforms packaged in the 2006 law were designed to prepare the Postal Service for a future where profitable First-Class Mail would be increasingly supplanted by electronic alternatives and the postal monopolies could no longer be counted on to provide additional revenue with every increase in postage rates. Unfortunately, what legislators did not know was that the very challenge they were preparing the Postal Service for was much more immediate than they realized.

During the first decade of the new century, the Internet had come into its own as technology rapidly evolved and the average consumer quickly grew to rely on and trust electronic communication. As a result, electronic bill payment has boomed since 2001. Thus, after steadily increasing for more than 200 years, mail volume began to fall during the mid–2000s. In fiscal year 2006, total mail volume peaked at 213 billion pieces; now, after fiscal year 2013, mail volume has fallen by more than 25 percent and is continuing to decline. This decline has left the Postal Service at a crossroad: what business model should the Postal Service turn to in order to ensure the mail will continue to be accessible and affordable for those who still rely on it?

The declining use of mail and changes in communication

A long-cited maxim in the mailing industry is that mail volume tracks closely with Gross Domestic Product (GDP). The historical correlation between the growth rate of GDP and annual mail volume is remarkable. A cursory examination of the data shows a clear linkage between these two factors from 1946 until about the year 2000. In fact, the r^2 value of the years 1946–2000 is .983. After 2000, however, this correlation disappears, and the r^2 value plummets to a mere .128 for the years 2001–2011. This divergence is absolutely unprecedented for as far back as reliable data exists on both mail volume and GDP. Even during periods of economic recessions, such as 1973–1975 and 1981–1982, there were no significant or prolonged divergences between mail volume and GDP growth.

The decline in mail volume has not occurred in a vacuum. While paper communication has declined in recent years, Americans undoubtedly communicate more broadly and more frequently today than at any point in our Nation's history. This growth in communication has been fostered by the advent of newer, faster, and cheaper communication tools, the most significant of which is the Internet. These tools have also moved into direct competition with mail. In fact, the Postal Service has been able to track the impact of electronic diversion of mail since at least 1988. While the trend toward electronic diversion was relatively mild between 1988 and 1998, it increased rapidly starting in 1998. The Postal Service estimated that 3 percent of mail was lost to electronic diversion by 2000, increasing to 4.5 percent by 2009. Until 2006, however, the growing impact of electronic diversion was masked by a growing economy where new mail volume was able to fully compensate for the volume lost to electronic diversion.

Since 1987, the Postal Service has commissioned an annual Household Diary Study to measure Americans changing use of the mail. One of the most important findings of the FY 2010 survey was that for the first time ever, more household bills were paid electronically than via the mail. The trend also shows no signs of abating as the percent of household bills paid through the mail dropped nearly five percent between FY 2011 and FY 2012 and stood at just 39.9 percent, with 55.9 percent of household bills paid electronically, by the end of FY 2012. By comparison, the FY 2000 survey indicated only 2 percent of all bills were paid online and more than 80 percent of all bills were paid through the mail. The FY 2010 data broken down by age group indicates that the percentage of electronic bill payments will increase dramatically over time, as respondents 35 and under pay only 30 percent of their bills through the mail, compared to 60 percent for those 55 and older.

Contemporaneous with the shift to electronic bill payment has been a shift away from consumer to consumer communication through the mail. In 1987, the average household received 1.55 pieces of personal First-Class Mail per week, which included greeting cards, invitations, announcements, and personal letters. By 2000, this number had declined to 1.34 pieces, and by 2012 it had declined by more than 50 percent from the 1987 level to just 0.7 pieces per week. The decline has been even more drastic for personal letters specifically. In 1987, the average household received 0.46 letters per week. In 2000, this had declined to 0.33 per week, and by 2012 it was just 0.1 letters per week. In 1987, personal mail made up 18 percent of all household mail and this type of communication formed the backbone of what is often called the "mail moment," in which consumers anxiously anticipate receiving their mail. Unfortunately, the long-term, irreversible decline in personal mail and the concomitant dilution of the mail moment may also be impacting business-to-consumer mail volume, if mailers believe that citizens are visiting their mail boxes less frequently.

One possible factor in the long-term decline of personal letters is the increasing affordability of long-distance and international calling. The diversification of the domestic long-distance market beginning in the 1970's saw AT&T's market share decline from 75 percent of households in 1995 to 26.1 percent in 2008 while still retaining the largest share. Growing competition and innovations in technology created downward price pressure that led to cheaper domestic telephone rates over this period. However, the changes to the international calling market have been even more drastic during the same period,[1] leading to a boom in the volume of international calls.[2] Overall, the rapid declines in price for long-distance telephone calls will have enabled friends and family members to stay in touch with one another at speeds much faster than that of a letter, and the relative change in usage indicates many Americans prefer phone calls to letter writing.

Still, for most communication that occurs through the Postal Service, a phone call is a poor substitute. Not only is it an often tedious and time consuming process to pay bills via the phone, but it is wholly impractical to deliver the vast majority of paper based advertising through the phone. In addition, the little advertising that is done through the phone is almost universally detested by the average American. It is not surprising then that cheaper tele-

[1] In 1980, an international call was billed at an average of $1.34 per minute. This average declined to $0.49/minute by 2000 and to $0.10/minute by 2008. In absolute terms, this amounted to a 93% decline since 1980 and an 80% decline since 2000 and even greater amounts for both if the numbers were adjusted for inflation.

[2] In 1980, 1.6 billion minutes of international calls were recorded, by 1995 that number had increased ten-fold and it increased five-fold from 1995–2008. As a result, between 1980 and 2008 international calling increased by an astounding 4675.9%, a level of growth orders of magnitude higher than the United States' population growth of 32% over the same period.

phone rates likely had a relatively minimal impact on overall mail volume.

On the other hand, the Internet has become a medium ideally suited to successfully compete against the Postal Service's core products. In the last two decades, the Internet has fundamentally altered the way Americans communicate, with the flourishing of personal e-mail, on-line bill pay, Internet-based periodicals, and on-line advertising. The rates of growth of dial-up Internet service and high-speed broadband service have been astounding. As recently as FY 2000, only 47 percent of households had access to the Internet, and only 58 percent of households even had a computer in the home. Still, even then the Postal Service was concerned about the potential impact of electronic diversion: "Historically, U.S. households relied extensively on USPS to handle personal and business communications . . . [h]owever as technology becomes more affordable, more households look to the Internet for services. As a result, it is in the interest of USPS to monitor household . . . access to the Internet." [3] By the FY 2010 report, the impact of the Internet was clear. According to the diary study, 70 percent of households had broadband Internet access, another 10 percent had dial-up, and the percentage of bills paid through the mail had declined from more than 75 percent in 2000 to less than 50 percent in 2010. The Postal Service summed up the competitive challenge that broadband posed by stating: "The Internet's fast, always-on connection makes it a stronger alternative medium for the delivery of entertainment, information, and communication. As more households begin using Broadband, the more that not only bill payments, but also bill and statement presentment, periodicals, and even advertising mail, will continue to be affected." [4]

In the coming years, broadband penetration and data usage are also likely to dramatically increase through emerging technologies that are severing the traditional link to a desktop computer-based broadband interface. Internet-capable cellular phones, commonly called smartphones, have been one of the first of these technologies to emerge. While initially limited in their capabilities to only the crudest form of internet browsing, today smartphones have in many ways bypassed desktop computers in their ability to make use of broadband and wireless data communication. With a smartphone, a consumer can deposit a check by taking a picture of it, pay for purchases wirelessly at checkout counters, receive automatically-updating directions, and use paperless boarding passes for air travel. Coming along more recently, e-readers and tablet computers have begun to fill in a gap between smartphones and desktop computers. These devices offer essentially the capabilities of a desktop computer in a mobile fashion, allowing users to edit photos, write emails, read books, and watch movies from a significantly more mobile platform. Both e-readers and tablets have seen rapid growth and public adoption. Smartphone penetration skyrocketed since 2009, with 90 million more Americans owning smartphones in July of 2013 than in July of 2009. E-reader and tablet adoption has been nearly as dramatic. According to Pew Internet, tablet ownership was at zero percent among adults as re-

[3] United States Postal Service. *The Household Diary Study FY2000*, pg. 51.
[4] *Id.* at 17.

cently as September 2009, while 3 percent of adults had e-readers. According to Pew Internet's updated 2013 numbers, 34 percent of American adults now own a tablet, almost double the 2012 penetration rate.

Merely charting the increase in Internet use by Americans understates the challenge that electronic diversion poses to the Postal Service. More disturbing from the perspective of mail volume is the economic profile of these individuals. There has consistently been a strong, positive correlation between income/education and mail usage. According to the FY 2010 diary, households that received at least 45 pieces of mail per week had a median income of $103,498 and 66 percent of the heads of these households had a least a college degree. This contrasts with households receiving less than 12 pieces of mail per week, which had an average income of just $25,568, with only 21 percent of the heads of household holding a college degree. At the same time, broadband Internet use is also highly correlated to income and education. According to the same study, 90 percent of households with incomes above $100,000 annually had access to broadband internet service, compared to just 38 percent for households with incomes below $35,000 annually. This has led to a situation where households who generate the most mail volume—either directly through bills and payments or indirectly as a target of advertising and catalogs—have the most opportunity and ability to divert their communication into an electronic stream.

The internet has a number of advantages over the mail, both for the consumer and for businesses. For the consumer, broadband can increase the ease of making bill payments and even allow the consumer to specify the exact time money is withdrawn from a bank account, allowing for greater control over one's finances and virtual certainty a bill has been paid on time. Additionally, given that there are essentially no incremental costs to increased broadband usage, many activities are often less expensive to consumers who move mailed payments online: each bill paid online or email sent in place of a letter saves the price of a stamp. The internet, and broadband communication in general, have allowed consumers to significantly speed up communication. Why write a letter to a friend in another state that will take three days to deliver each way when an email will reach the destination in seconds? Similarly, many of these same advantages exist for businesses. On-line bill payment offers significant potential savings to businesses by allowing them to save on the processing costs of physical payments. Moreover, eliminating paper bill presentment and other mail will allow businesses to eliminate significant paper and postage costs. Postage is often a major business expense, particularly for companies that rely on advertising mail and magazines that are predominantly mailed to subscribers. In this regard, the cost of postage can comprise a substantial share of the cost of producing the mail piece and delivering it to addressees.

While broadband communication has many clear advantages, a wide swath of consumers and businesses are not yet using broadband. One major segment includes older Americans wealthy enough to afford broadband, but who choose not to use it for personal reasons. Another group includes rural Americans who lack access to broadband as high-speed networks have yet to reach them. A third group are the organizations whose business model has yet to make a successful transition to the digital world including periodicals, non-profit organizations and other fundraisers. A fourth group, perhaps the largest, includes those Americans who are unable to afford broadband access. Together, these groups will continue to rely heavily on the maintenance of affordable and efficient postal services, which will in turn require a fundamental restructuring of the Postal Service to respond to diminishing overall demand. As relatively affluent consumers continue to transition to electronic communication, the average mail consumer will likely be increasingly low-income, sensitive to price increases, and a relatively infrequent sender or receiver of mail.

Additionally, advertisers have had a rapidly growing online presence as more sophisticated electronic advertising techniques and enhanced pricing structures have turned the Internet into a profitable medium with a good return on investment. According to data compiled by PricewaterhouseCoopers, $7.2 billion was spent on Internet advertising in the U.S. in 2001. That number tripled, even accounting for inflation, to $26 billion in 2010. These factors put downward pressure on mail volume from both sides: both consumers and businesses realize significant financial and efficiency gains as a result of electronic diversion. Since nearly half of bill payments and the vast majority of bill presentment still go through the mail, it is also certain that continued electronic diversion, particularly in First-Class Mail, will continue for the foreseeable future. As electronic diversion proceeds, it will naturally mean less business for the Postal Service, but it is a good thing for the economy. Americans have always worked hard to find ways to do things better, faster, and more efficiently and, like the telephone and car before it, broadband communication is the next step forward. In order for our nation to compete successfully in the global market, we must be willing to take full advantage of these technologies.

The mailing industry

An important fact that is often forgotten is that the Postal Service is simply the keystone of a much larger almost entirely private sector industry. While the Postal Service is the second largest civilian employer in the United States, with more than 600,000 employees and more than $65 billion in revenue, the institution is a relatively small part of the mailing industry as a whole. According to a 2010 industry sponsored study, the industry generated more than $1.1 trillion in economic activity in 2009 and was responsible for 8.7 million American jobs. This tremendous economic force, however, is very tightly interrelated with, and highly dependent on, a functional Postal Service for its continued success.

Many Americans are unaware of the breadth of the mailing industry, which features jobs associated directly or indirectly with virtually every business, nonprofit organization, and government entity in the United States. The vast majority of all mail volume is generated by these entities, with only 11 percent generated by households and 3 percent representing consumer-to-consumer communication. The mailing industry is now operating on razor-thin margins after being hit hard by both the recession and electronic diversion. The fallout is stark. From June 2008 to June 2009, the paper industry lost 9.5 percent of its workforce, the publishing industry 10.4 percent, and the printing industry 13 percent. If the Postal Service destabilizes for even a short period of time, these industries will be seriously imperiled, with dramatic consequences for the broader economy in which jobs are already too scarce.

The challenge facing the Postal Service

The decline in mail volume is not a temporary, recession-driven phenomenon. To effectively respond to this change the Postal Service must overcome a number of challenges to become a leaner, more nimble enterprise. Chief among these challenges is reorganizing its workforce. Today, 80 percent of the Postal Service's expenses are workforce-related, a far higher percentage than other large employers in the service industry. Astoundingly, this proportion has remained steady since the 1960s, despite vast changes that have seen the agency itself first mechanize, then automate and finally computerize. In recent years, this proportion has remained elevated due to a long-standing, statutorily-mandated collective bargaining process tilted against Postal Service management that has historically hindered the ability of the agency to control workforce costs. This process has yielded contracts providing guaranteed wages increases, benefits exceeding those of other federal workers, and generous no-layoff protections that virtually no other federal employees enjoy. The most recent contract, ratified with the American Postal Workers Union (APWU) in 2011, again provided guaranteed wage increases in addition to cost-of-living adjustments, continued benefit superiority relative to other federal workers, and expanded no-layoff protections—all this even after the Postal Service repeatedly and publicly stated the necessity of downsizing the workforce.

With mail volume declining, the inability of the Postal Service to properly rightsize its workforce has left the agency in a situation where it must pay more and more workers to sit idle. In one embarrassing example, when the Postal Service consolidated the Sioux City, Iowa mail processing center to Sioux Falls, South Dakota in October 2011, the Postal Service was left with 40 workers who the agency could neither lay off nor require to relocate to an area with vacant mail processing positions; these workers had to voluntarily agree to take jobs covered by other postal unions, such as letter carrier positions. Additionally, labor contracts highly restrict the Postal Service's workforce flexibility through byzantine work rules between various types of craft workers and through overall limitations on the amount of part-time workers that can be employed. As a result, workforce expenses represent a higher percentage of costs at the Postal Service than they do at its competitors in the package industry, UPS and FedEx as well as other service industry companies, such as JP Morgan Chase. Relative to the Postal Service, its mailing industry competitors employ a far greater proportion of part-time workers, while paying their senior delivery and processing employees about the same amount as their peers at the Postal Service receive.

Beyond its difficulties with workforce modernization, the Postal Service faces an increasing need to reorganize, rightsize, and replace much of its physical infrastructure. In the years before universal home delivery, millions of Americans were dependent on trips to the local post office to receive any mail at all, necessitating a vast network of post offices that totaled 76,945 in 1901. Today's network of post offices is only 40 percent this size, even though there are four times as many Americans living today. As the delivery network was fully built out, the Post Office Department was able to rapidly reorganize postal infrastructure and the number of post offices had declined by more than 15,000 by 1910. However, since the reform of 1970 that created the Postal Service, reorganization and rightsizing of postal assets have largely ground to a halt. Unfortunately, a major driver of this stagnation has been Congress, which has repeatedly discouraged the Postal Service from taking steps to modernize. This occurred in the 1970s when amendments were added to the 1970 law to constrain the Postal Service's ability to freely manage its retail network, and this has continued to the present day: Eighteen U.S. Senators recently pressured the Postmaster General into putting a moratorium on postal infrastructure rightsizing even as the Postal Service neared insolvency. As a result, the Postal Service retains a massive infrastructure out of proportion to the diminished mail volume now flowing through it.

Today, there are nearly 32,000 post offices in the United States, more than the number of Wal-Mart, Starbucks, and McDonald's domestic outlets combined. Despite this vast number of outlets, foot traffic at post offices has been headed downward for a number of years as consumers purchase postal services elsewhere. According to USPS data, 80 percent of retail revenue was collected by post offices in FY 2006, but that number declined to approximately 65 percent by FY 2011, even as total retail revenue remained essentially constant. As people use the post office less, alternative sources of postal services are, unsurprisingly, proving to be more cost-effective. Traditional Postal Service retail is the most costly channel of postal retail service, costing an estimated 23 cents per dollar of retail revenue. This is more than double the costs of Automated Postal Center kiosks (12 cents), online sales (8 to 12 cents), and retail partners (2 to 7 cents).

In addition to a partially outmoded retail network, the Postal Service also operates a mail processing network far in excess of the size it needs. As many in the mailing industry are quick to point out, over the last several decades the Postal Service has built a mail processing network intended to handle 300 billion pieces. Unfortunately, volume peaked in FY 2006 at 213 billion pieces and has been declining since then, tallying less than 170 billion pieces in FY 2011. This has left the Postal Service with a system that is effectively at half-capacity—with more slack in the system with each passing day.

A third and much different problem is the aging nature of many postal assets and the growing backlog of necessary maintenance and needed replacements. A Government Accountability Office (GAO) report released in May 2011 found that the main delivery vehicle of the Postal Service, a custom built right-hand drive truck known as a Long Life Vehicle (LLV), has a designed operational lifetime of 24 years and that the Postal Service fleet of 141,000 of LLVs is between 16 and 23 years old. GAO went on to estimate that the full replacement cost of the vehicle fleet would total $5.8 billion and recommended that the Postal Service develop a replacement plan for these vehicles. GAO noted, however, that the Postal Service cannot afford to replace or refurbish a large portion of its aging fleet for the foreseeable future. In addition to the vehicle fleet, GAO has repeatedly commented on a growing facility maintenance backlog, with a number of post offices featuring long-neglected leaky roofs and damaged floors. Unfortunately, due to the Postal Service financial crisis, it can ill-afford these expenses; there is currently no plan in place that can realistically address these issues.

Oversight hearings on the Postal Service

To help understand the severity of the crisis facing the Postal Service and potential reforms, the Committee on Oversight and Government Reform has held five subcommittee hearings and three full committee hearings since March 2, 2011. During the 112th Congress, the Committee heard testimony from the Postal Service and GAO describing the crisis, from union officials on potential workforce changes, and from mailing industry companies on the importance of a viable universal service mail delivery network. Ultimately, information gleaned, in large part, from these hearings led to the introduction of H.R. 2309, the Postal Reform Act of 2011, which was reported favorably by the Committee on October 13, 2011.

Prior to the introduction of H.R. 2748 in the 113th Congress, the Committee held three hearings on the topic of postal reform. The first, held by the Subcommittee on the Federal Workforce, U.S. Postal Service, and the Census on April 10, 2013, examined the Postal Service's relationship with the mailing industry. The hearing served to give a number of industry voices an opportunity to talk about how the change in mail demand has affected their organizations and how they thought the Postal Service might be able to better respond to the shrinking paper-based communication landscape. This hearing was followed up on April 17, 2013 by a full committee hearing designed to discuss options to bring the Postal Service back from insolvency. At the hearing, Committee members heard testimony from the Chairman of the Postal Service Board of Governors, Mickey Barnett; the Postmaster General, Patrick Donahoe; the President of the National Association of Letter Carriers, Frederick Rolando; and the Comptroller General of the United States, Gene Dodaro. Shortly thereafter, on June 13, 2013, Chairman Issa posted discussion draft text of the Postal Reform Act of 2013 on the Oversight Committee website for public and Congressional comment. To solicit further comments, on July 17, 2013, an additional full committee hearing was held explicitly to give members of the Committee the opportunity to discuss provisions of the draft legislation. Witnesses at the hearing included Representative Adrian Smith, Postmaster General Donahoe, President Cliff Guffey of the American Postal Workers Union, and Joel Quadracci, CEO of Quad Graphics.

The Postal Reform Act of 2013

The Postal Reform Act of 2013 (PRA) is the direct successor to the eponymously titled H.R. 2309 of the 112th Congress. Similarly to last Congress's legislation, the PRA is designed to achieve a core group of objectives related to the Postal Service using a balanced, multifaceted approach and attempts to give the Postal Service the tools necessary to succeed in the 21st Century. The specific objectives of the bill include: (1) ensuring the Postal Service can continue to provide effective, affordable universal service; (2) ensuring the Postal Service will continue to meet all of its obligations to its employees and retirees; (3) addressing the short-term liquidity crisis facing the Postal Service; (4) enabling the Postal Service to bring expenses into line with revenues to ensure medium- and long-term viability; (5) streamlining regulation and enabling the Postal Service to act like a business; and (6) protecting the self-funding nature of the Postal Service and preventing a taxpayer funded bailout that would defer and complicate the process of instituting the necessary fundamental reforms. To achieve these broad goals, the PRA includes a number of key reforms including the authorization for 5-day mail, 6-day package delivery; a requirement that the Postal Service begin to transition away from "to the door" mail delivery in favor of more cost-effective curbside and clusterbox delivery; new, temporary management with a clear mandate to take action to correct Postal Service finances; and clear language to enable the Postal Service to grow existing, and find new, sources of revenue. Overall, the bill is broken down into seven titles, which address, in sequence: infrastructure, governance, workforce, revenue, finance, contracting, and a final title that includes additional provisions.

Title I of the PRA includes key infrastructure provisions. It authorizes the Postal Service to establish a nationwide delivery schedule of five days per week, with package delivery preserved six-days per week for an additional five-year period. While the legislation allows the Postal Service to immediately move to the new delivery schedule, the Committee supports the Postal Service putting in place a short delay prior to implementation to give mailers time to reorganize their printing schedules to accommodate the change. This is a bipartisan commonsense proposal that has been repeatedly endorsed by President Obama and is supported by a large majority of the American people, including both rural and low-income Americans. According to the Postal Service, once fully implemented, this provision could save as much as $2 billion per year.

Title I also calls for the phase-out of most "to the door" delivery within the next ten years. Under this provision, the majority of addresses that see mail delivered into a slot in the door, or a box attached near the door, would see mail delivery shifted to a curbside mailbox or clusterbox. Only about 28 percent of addresses receive door delivery today. But door delivery costs approximately $350 per address per year, compared to $224 for curbside and $160 for clusterbox, so a dramatic savings potential exists. The Postal Service, however, must be responsive to local concerns and needs throughout the conversion process. The PRA therefore includes provisions requiring the Postal Service to consult with communities prior to a conversion and to offer conversion exemptions for those with physical hardships. The PRA also includes a provision specifically requiring the creation of a voucher program to help offset any monetary costs conversion may have on a mail recipient. Once fully phased in, this provision could save the Postal Service $4 billion or more annually, making it the single largest potential cost-saving item in the PRA.

Importantly, this provision gives the Postal Service a great deal of flexibility and freedom to adapt to local conditions in shifting away from "to the door" delivery. A "cookie-cutter" approach everywhere nationwide is neither required nor advisable. In some areas, a clusterbox approach may work better than a curbside approach, or vice versa. In other areas, neither approach may work well, but other accommodations could be found that satisfy the requirements of the PRA. For example, if there is no room to site a clusterbox and street parking precludes curbside delivery, lining mailboxes along the sidewalk could be used as an alternative to both increase Postal Service efficiency and reduce the walking distance for letter carriers.

The Committee also sees a number of important advantages for the consumer in expanding clusterbox delivery. Today, outside of clusterboxes, a very small portion of mailboxes are secured and few mailboxes have the dimensions to accommodate more than the smallest of packages. As a result, many packages are simply left unsecured near a door if the resident is not home. This makes many people wary of purchasing higher value items online, for fear they would be stolen after delivery. Postal Service-approved clusterboxes, however, contain secure package lockers in addition to secure mail slots. When a resident receives a package at an address served by a clusterbox, that resident has a key placed in their secure mail slot. That key can then be used to open the package locker on the clusterbox, while the package key remains locked in the slot for later removal by a letter carrier. Thus, packages are either secured by a postal employee or kept in a locked location until retrieval by a postal customer. A secure clusterbox will give postal customers greater peace of mind that high-value packages, like medication and electronics, will be safely delivered to them through the mail. This could rapidly turn into a great commercial advantage for the Postal Service.

Other provisions of Title I are designed to help modernize the Postal Service's administrative and retail networks. The Postal Service is required to reduce the number of administrative Area and District offices, which continue to be a source of unnecessary duplication. On the retail side, the PRA incentivizes the shifting of brick-and-mortar post offices to more cost-effective and consumer-accessible Contract Postal Units (CPUs) by eliminating post office closure appeals if a CPU replaces the post office. To protect the consumer if a CPU that replaced a post office closes, individuals are empowered to petition for the post office's restoration. CPUs can have as little as one-tenth the overhead cost of a post office. Greater use of CPUs can improve customer accessibility while reducing expenses. A local grocery store that also serves as a CPU is likely to keep much longer hours than a stand-alone post office, and is likely to be a frequent destination point more convenient to visit than the local post office. Alternative access entities, such as CPUs, will not work everywhere, particularly in some rural areas where there is no alternative to a post office. But there is great promise of savings and consumer benefit in a prudent shift toward non-traditional forms of access. However, the PRA also recognizes the important role post offices play in many communities, particularly in rural areas, and puts in place new requirements such as restricting the number of rural post offices that can be closed, and specifying what factors must be considered, such as broadband internet access, when examining post offices for potential closure.

Notably, unlike the 112th Congress's iteration of the PRA, the bill no longer contains a Commission on Postal Rightsizing (CPR). The CPR was designed as a failsafe mechanism that would have ensured the Postal Service took steps to rightsize its excess infrastructure through a Base Realignment and Closure-type process. Importantly, since the Committee reported H.R. 2309 in the last Congress, the Postal Service has taken significant steps to address both its retail and mail processing infrastructure and, due to the success of those steps, the Committee deemed the CPR was no longer necessary.

Title II of the PRA focuses on governance reforms to the Postal Service. The centerpiece of these reforms is the creation of the Postal Service Financial Responsibility and Management Assistance Authority (Authority). While still bearing close ties to the Authority created by H.R. 2309, the language in the PRA is considerably updated and includes changes designed to allow the Authority to function more smoothly and to further clarify its function, goal, and powers.

Upon enactment, the PRA would trigger a control period whereby the current Postal Service Board of Governors would be dissolved once the President appoints at least four of the Authority's five members. The Authority would then report to the Secretary of the Treasury. The five-member board is specifically designed to avoid partisan majorities with two members to be selected based on recommendations from congressional Republicans, two from recommendations from congressional Democrats, and the fifth from recommendations from the nonpartisan Comptroller General. The explicit goal is to remove politics as much as possible from the Postal Service's decision making process so that the agency is able to take the actions it deems appropriate, consistent with the law, that are in the best short- and long-term interests of the Postal Service, the ratepayer, and the taxpayer. Specific requirements in the PRA for Authority members are also geared toward the appointment of individuals with business experience.

The Authority itself would be given powers substantially similar to those of the current Board of Governors. However, unlike the current Board, the Authority would have a specific mandate to improve the financial condition of the Postal Service. To ensure the Authority carries out this mandate, each year during a control period, the Postal Service and the Authority will be required to produce a Financial Plan and Budget, to be submitted to the President and Congress, that puts the Postal Service on an immediate path toward solvency. Furthermore, the Authority is explicitly required to take any actions it deems necessary and permitted by law to ensure that the Financial Plan and Budget is successful in practice and that the Postal Service achieves a net profit no later than fiscal year 2016.

Once the Postal Service achieves a net profit for two consecutive years and has a functional plan to ensure the necessary funding of the post employment benefits (pension and healthcare) of its employees, the control period will end. At the end of a control period, members of the Authority will become the initial members of a reconstituted Postal Service Board of Governors and their replacement will require Senate confirmation. Additionally, the new Board will consist of only five Senate confirmed members, reduced from the current Board's nine Senate confirmed members plus the Postmaster General and his deputy. While substantially similar to the eligibility criteria for the current Governors, the requirement that at least three Governors be "chosen solely on the basis of their demonstrated ability in managing organizations or corporations (in either the public or private sector) that employs at least 50,000 employees" will be altered to an identical requirement, but with organizations of at least 10,000 employees, instead of 50,000. While well intentioned, the current provision creates a very small pool of eligible people. It is the hope and intent of the Committee that this lower requirement encourages future Presidents to nominate more individuals with experience in managing large organizations.

An additional provision in Title II would make the Postal Service Inspector General a presidentially appointed, Senate confirmed position. Currently, the Postal Service Office of Inspector General is among the largest Inspectors General in the government, and it is the largest not headed by a Senate-confirmed individual. This reform is designed to give the Inspector General greater independence from Postal Service leadership and to reduce problems associated with agency capture of the Inspector General.

Title III of the bill makes a number of commonsense reforms to modernize the postal workforce to help put it on more of a competitive footing with the private sector. One of the most significant changes is a phase-out of no-layoff protections for postal employees—protections that exist in each of the Postal Service's existing collective bargaining agreements. In the private sector, no-layoff protection has effectively ceased to exist over the last several decades. Further, outside of the Postal Service, no similar benefit exists for federal employees. In place of no-layoff protections, postal employees would become subject to the exact same Reduction-in-Force procedures (RIF) to which the vast majority of non-postal federal employees are now subject. RIF rules are specifically designed to take into account important factors such as veteran preference and seniority. Importantly, the provision in H.R. 2748 would honor existing collective bargaining agreements and would come into force only once current agreements expire. It is also important to note that approximately half of the Postal Service's 500,000 career employees are eligible for immediate retirement, which gives the Postal Service a fairly unique opportunity to rightisze its workforce over the next several years exclusively through natural attrition and retirement incentives. It is the Committee's hope that RIF would only be used in very targeted and narrow circumstances by the Postal Service, if at all. Further, the Postal Service is already authorized to re-employ annuitants on a part-time basis, meaning retirees could work the minimal hours necessary to keep their preretirement pay. These annuitants could also provide the Postal Service with a trained, flexible pool of labor at an affordable cost.

The PRA further requires that postal employees pay at least the same share of health and life insurance premiums as other federal employees. Enjoying access to the federal health and life insurance programs—which are generally more generous than plans available in the private sector for comparable jobs—postal employees currently pay only about 21 percent of their health insurance premiums, as compared to 28 percent for other federal employees, and they pay nothing toward their life insurance premiums, as compared to 66 percent for other federal employees. Equalizing the premium contributions would save the Postal Service $700 million per year. This PRA provision only takes effect once the collective bargaining agreements currently being negotiated expire. In that way, it takes effect for all postal employees at about the same time, is implemented with sufficient lead time, and does not break any collective bargaining agreements. Under this provision, the Postal Service will retain its current law authority to remove current employees from the federal health program so long as the changes comply with its various collective bargaining agreements.

A third major workforce reform would amend the current collective bargaining process to reflect the system proposed by the 2003 President's Commission on the United States Postal Service. The current collective bargaining process, which largely dates back to the 1970 act that created the Postal Service, allows for extremely lengthy negotiations for a new contract that in recent years have left more than a year between the expiration of one contract and the approval of the next. Under the revised system, a mediation-arbitration method will be used that will put into place a flexible, but ultimately limited, timeline. Further, should a negotiation ultimately go before an arbitration panel, arbitrators will be required to take into account long-standing pay comparability with the private sector requirements and the financial condition of the Postal Service in any decision. The goal of this reform is to ensure that the Postal Service has the necessary flexibility to remain a self-sustaining entity under a fair collective bargaining process that benefits both postal workers and the Postal Service in both the short- and long-term.

The PRA also enables the Postal Service to increase revenue or avoid losses by altering the manner in which some postage rates are determined. This includes a requirement that all products within a class cover attributable costs—to the extent that is possible under the existing price caps that limit annual rate hikes to rises in the Consumer Price Index (CPI). This change addresses an unfair status quo in which some businesses that use mail products that cover costs are effectively forced to subsidize competitors who use products that are significantly below cost coverage. For instance, the Standard Mail Flats product covered only 81 percent of its attributable costs in fiscal year 2012. Another PRA reform requires entire mail classes that fail to cover attributable costs to eventually reach a minimum of ninety percent cost coverage—even if that means small, gradual rate increases that exceed the CPI price cap. As part of an effort to ensure that attributable cost measures are accurate, the PRA permits a two year delay before the increases in excess of CPI are implemented. Ultimately, this change will ensure that the Periodicals class moves toward greater cost coverage in a fair manner. In fiscal year 2010, this class cost the Postal Service more than $670 million and lost money for the 16th straight year. The PRA also immediately ends a long-standing practice that has allowed state and national political committees from using the non-profit discount.

The PRA will also require that Alaska bypass mail cover an increasing percentage of its costs, moving from its current coverage of about 30 percent to 50 percent within five years. It is the Committee's preference and belief that this could be achieved through the identification of greater efficiencies through the regulatory process and in consultation with its Alaskan mail transportation affiliates. Bypass mail is a unique system in the state of Alaska that heavily subsidizes the shipment of large and commercial items to the rural areas of the state, including groceries and construction supplies. According to PRC data, the program costs the Postal Service more than $100 million per year. The Committee views this unfunded mandate on the Postal Service as unfair.

The PRA enhances the Postal Service's ability to generate revenue from those nonpostal endeavors that are appropriately pursued by a federal government entity. While a number of bills introduced this Congress give the Postal Service a virtual free hand to offer nonpostal products, the PRA takes a noticeably more restrictive approach. It allows the Postal Service to sell state services, provided they do not inhibit postal business, and to sell advertising on vehicles and property. It also grandfathers in those specific products and services approved under the 2006 reform. To manage nonpostal products, the PRA creates a new well-defined regulatory framework that clarifies which non-postal services are authorized and ensures nonpostal products remain profitable. The Committee's decision not to allow banking or internet services recognizes the Postal Service's unique status as an establishment of the federal government. As a federal agency, the Postal Service enjoys a number of benefits the private sector does not. These benefits include exemptions from income tax and property tax, the ability to exercise eminent domain, preferential borrowing access, and implicit taxpayer backing in the event of a default. Serious fair competition issues arise if the Postal Service is permitted to leverage its property and assets—including property received for free from the federal government when the Postal Service was created in 1971—to compete in areas well served by the private sector. The Postal Service possesses inherent unfair advantages over the private sector in many potential nonpostal arenas. Moreover, the Postal Service has an unfortunate history of taking large losses in its forays into new enterprises, such as e-commerce. The PRA's nonpostal provisions therefore contain strict, but achievable cost coverage requirements: 150 percent cost coverage for state services and 200 percent cost coverage for advertising. While nonpostal services may never produce a tremendous amount of new revenue for the Postal Service, the PRA maximizes whatever potential exists while avoiding unfair competition with the private sector.

Title V of the PRA encompasses a number of financial reforms to modernize employee benefit funding structures and to provide targeted liquidity for Postal Service rightsizing. According to the Postal Service's FY 2012 financial disclosure forms, the Postal Service possessed $113.642 billion in unfunded liabilities. Nearly half of this unfunded liability was due to retiree health care benefits ($48.322 billion), but large liabilities were also records for Civil Service Retirement System (CSRS) benefits ($19.3 billion), workers' compensation liability ($17.24 billion), and outstanding debt with the U.S. Treasury ($15 billion). Even for a profitable private sector company the size of the Postal Service, liabilities such as these could pose significant short- and long-term problems, and finding a way for the Postal Service to better manage these obligations is a priority of the PRA.

Importantly, the PRA considers the funding of all Postal Service employee retirement benefits as a collective obligation. It is the belief of the Committee that money set aside to fund employee benefits should not be removed to fund operating losses, but should be used to better secure benefits already promised to postal workers. For this reason, the PRA looks at the funded status of CSRS benefits, Federal Employees Retirement System (FERS) benefits, and retiree health care benefits in a unified way that does not risk the integrity of the money that has already been set aside. To do so, the PRA requires that net surpluses from the CSRS and FERS system be used to pay down the unfunded liability for retiree health care. Furthermore, the PRA also requires the Office of Personnel Management to begin using postal-specific assumptions when calculating the liability costs attributable to the postal pension accounts. These new assumptions will ensure that the Postal Service is only paying the cost of its employees, not those of other federal employees. Money the Postal Service deposits with the federal government should be held in trust by the taxpayer and not be used to offset non-Postal Service related budget deficits.

The PRA also keeps in place the key goal of fully funding retiree health care benefits, while still giving the Postal Service greater short-term flexibility. Upon enactment, the PRA would relieve the Postal Service of the obligation for various payments for retiree health care funding it missed in fiscal year 2012 and fiscal year 2013, and provide for a funding holiday for fiscal year 2014. Beginning in 2015, the remainder of the scheduled funding payments would be eliminated, and the Postal Service would shift to an actuarial accounting method two years earlier than under current law. Under this system, starting in 2015, the Postal Service would no longer pay the premiums of current retirees, which would then be paid out of the Postal Service Retiree Health Benefits Fund. In place of the premium payments, the Postal Service would make an annual payment for the 40-year amortization costs of the unfunded liability for retiree health care, as well as the normal cost payment for retiree health care benefits accrued by current Postal Service employees in that year. This is similar to the manner in which the Postal Service currently pays its employees' pension benefits.

To give the Postal Service access to liquidity in the short-run, the Authority is allowed, under Title II of the PRA, to take on an additional $5 billion in general debt from the U.S. Treasury. However, unlike the Postal Service's current Treasury debt, any obligations incurred under this provision would have to be repaid by the end of fiscal year 2022. Further, to ensure the funds are repaid, the Postal Service would be obligated to offer sufficient property assets as collateral and repay at least 20 percent of obligations outstanding at the beginning of a fiscal year by the end of that fiscal year.

In a more targeted grant of liquidity, another provision of Title V creates a temporary fund for delivery point modernization efforts. This fund would allow the Postal Service to take on an additional $1 billion in debt to fund the conversion costs for delivery points. Additionally, since a positive return on investment for delivery conversions should occur fairly quickly, the fund is also designed to operate as a revolving fund for the Postal Service to hold revenue dedicated to delivery modernization efforts, if the Postal Service so chooses.

When the Postal Service was created as an independent establishment of the federal government, it was authorized to operate more like a business and exempted from most federal laws and regulations applicable to purchasing. Notably, the Postal Service is exempt from the Federal Acquisition Regulation (FAR) that establishes acquisition policies and procedures for all executive branch agencies, including the requirement that each agency maintain a competition advocate responsible for promoting full and open competition, transparency in the public reporting of noncompetitive contract awards and their justifications, and limitations on delegations of contracting authority. The Postal Service is also exempt from the Competition in Contracting Act that establishes the federal policy of "full and open competition" for most federal contracts.

The Postal Service has, however, repeatedly abused its contracting flexibility in recent years, with numerous postal officials implicated in conflicts of interest involving noncompetitive contract awards to their friends and former associates. Other contracting problems include poor business practices, inadequate transparency, lax internal oversight, lack of accountability, and misuse of delegations of contracting authority.

Considering this history, the statutory reforms in Title VI of the PRA are necessary to improve Postal Service contracting practices, to reduce costs through contracting out and competition, and to prevent the recurrence of poor contracting practices, lax oversight, and improper ethical behavior. The PRA requires the Postal Service and Postal Regulatory Commission to establish competition advocates to promote contracting out of functions that the private sector can perform equally well or better and at lower cost, to obtain best value, and to review procurement activities. Other reforms require high ethical standards, transparency for noncompetitive contracts, policies for delegations of contracting authority, and accountability.

Title VII creates a Postal Service Chief Innovation Officer (USPS CIO). The creation of the USPS CIO is borrowed from Rep. Cummings' H.R. 2690, the Innovate to Delivery Act of 2013. The goal of the USPS CIO is to create a dedicated officer within the Postal Service whose responsibility it is to find opportunities for the Postal Service to grow revenue from both old and new sources in a much more dynamic way than has been the case of the Postal Service in recent years. Title VII also requires the Postal Service to operate under the same rules that apply to private companies when offering stamp-evidencing products and services. The goal of this provision is to better address certain aspects of how areas where the Postal Service both competes with and regulates the private sector can function more fairly and to promote better competition and ensure all mail is held to the same high-level safety standards. Title VII also designates a few post offices, helps ensure the Postal Service submits complete information in a timely fashion to the PRC, and increases transparency for PRC travel expenses.

LEGISLATIVE HISTORY

H.R. 2748, the Postal Reform Act of 2013, was introduced on July 19, 2013 by Representative Darrell E. Issa of California and was referred to the House Committee on Oversight and Government Reform. The legislation was cosponsored by Rep. Blake Farenthold of Texas and Rep. Dennis Ross of Florida.

On July 24, 2013, the Oversight and Government Reform Committee held a business meeting to consider H.R. 2748. At the business meeting, a total of five amendments were accepted and are described below. Additionally, five amendments, including one amendment in the nature of a substitute offered by Rep. Cummings of Maryland were defeated by roll call vote. At the conclusion of amendment debate, the Committee, by a vote of 22–17, ordered H.R. 2748, as amended, favorably reported to the full House for consideration.

SECTION-BY-SECTION

Section 1. Short title; Table of Contents; References

Establishes the short title of the bill as the "Postal Reform Act of 2013" and lists the table of contents.

Section 2. Definitions

Defines a number of terms, including "Postal Service" and "postal retail facility," that are used throughout the legislative text.

TITLE I—POSTAL SERVICE MODERNIZATION

Section 101. Nationwide mail delivery schedule

Authorizes the Postal Service to establish a nationwide schedule of 5 days of mail delivery per week and puts in place a requirement that there cannot be more than 2 consecutive days on which mail is not delivered, including as a result of public holidays.

Requires domestic competitive products to be delivered at a minimum of 6 days per week through the end of calendar year 2018.

Extends current mailbox-monopoly Sunday exemptions for newspapers to other days in which the Postal Service does not deliver letter mail.

Section 102. Delivery-point modernization

Subsection (a) amends chapter 36 of title 39 to insert a new section, section 3692.

Subsection (a) of section 3692 defines a number of terms relevant to delivery point modernization, including "delivery point," "primary mode of mail delivery," "door delivery," and others.

Subsection (b) of section 3692 establishes that the policy of the Postal Service will be to use the most cost-effective primary mode of mail delivery possible.

Subsection (c) of section 3692 sets the schedule for the phaseout of "to the door," as opposed to curbside or centralized, delivery. Paragraph (1) removes door delivery from the list of default delivery options for new addresses added after the date of enactment. Paragraph (2) requires the Postal Service to implement conversion of business addresses to centralized delivery to the maximum extent feasible. Paragraph (3) requires the Postal Service to within

1 year identify residential addresses that are candidates for conversion, to seek out postal customers who are willing to voluntarily convert, and to solicit local input on conversion. Paragraph (4) requires the Postal Service to take into account weather conditions, physical barriers, and the historicity of locations when converting addresses from door delivery. Paragraph (5) establishes a waiver for physical hardship to enable individuals with hardships to continue to receive door delivery. Paragraph (6) authorizes continued door delivery service for addresses that would have otherwise been converted for a fee that covers the additional cost associated with door delivery compared to the otherwise applicable curbside or clusterbox delivery.

Subsection (d) of section 3692 establishes a modernization requirement to convert 30-million addresses within 10 years, starting with addresses that have volunteered for conversion. The subsection authorizes the Postal Service to utilize the Postal Service Delivery-Point Modernization Fund, created in section 504, for working capital to fund the cost of conversion and mandates the creation of a voucher program to offset the costs of conversion to postal customers. The subsection also requires annual reports on the progress of the conversions, an annual audit of those reports and the overall implementation of the conversion process by the Postal Service Inspector General.

Subsection (e) of section 3692 exempts Postal Service action under this section from review under subchapters IV and V of chapter 36 of title 39, United States Code.

Section 103. Efficient and flexible universal Postal Service

Removes a prohibition on closing post offices solely for operating at a deficit.

Requires the Postal Service to provide effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining.

Requires the Postal Service, when considering a post office for potential closure, to take into account 1) the distance, measured by public roads, to the nearest postal retail facility, 2) weather and terrain, 3) commercial mobile service, and 4) broadband internet access penetration.

Reduces the deadline for PRC review of post office closures from 120 days to 60 days.

Excludes any post office from PRC appeals process if a contract postal unit (CPU) is opened within 2 miles of the applicable post office. Any exclusion must take place on a one-for-one basis. The CPU must be opened within 15 days of the post office's closure and must stay open for a minimum of 2 years. If the CPU is closed before the end of a 2-year period, an appeal may be made to the PRC for the reopening of the post office.

Expedites PRC advisory opinions concerning Postal Service plans to close or consolidate post offices on a level affecting service on a nationwide basis and on matters that are substantially identical to matters on which the PRC has issued an opinion within the preceding 5 years.

Establishes a five percent annual limit on the number of currently operating rural post offices (defined as those within Cost Ascertainment Group K or L on January 1, 2012; roughly 10,000) that can be closed.

Requires that in the event of a post office closure, the Postal Service provide replacement service according to the manner preferred by the community according to survey results.

Section 104. Applicability of procedures relating to closures and consolidations

Defines "post office" in subsection 404(d) of title 39 as any Postal Service operated retail facility as defined in this bill, which includes post offices, branches, and stations. This change is effective 60 days after enactment.

Section 105. Enhanced reporting on Postal Service efficiency

Requires the Postal Service to use a PRC-recommended formula to determine changes in Postal Service productivity and the resulting effect on overall costs.

Section 106. Area and district office structure

Requires, within 120 days of enactment of this Act, the Postal Service, in consultation with the Postal Service Inspector General, to develop and begin implementation of a plan to close or consolidate 30 percent of Postal Service Area and District offices extant as of September 30, 2012 and further requires that the plan be fully implemented by October 1, 2015.

TITLE II—POSTAL SERVICE GOVERNANCE

SUBTITLE A TEMPORARY GOVERNANCE AUTHORITY

Section 201. Purposes

States the purposes of the title. The purposes include eliminating Postal Service budget deficits, protecting the universal service mandate during a period of fiscal emergency, determining the fiscal status and operational efficiency of the Postal Service, helping the Postal Service to implement necessary rightsizing and to meet all fiscal obligations, providing a temporary increase in borrowing authority to fund restructuring, and ensuring the long-term vitality of the Postal Service.

Clarifies that nothing in this title may be construed as relieving any existing obligations of the Postal Service or limiting the authority of Congress to exercise ultimate legislative authority over the Postal Service.

Section 202. Establishment of the Postal Service Financial Responsibility and Management Assistance Authority

Subsection (a) establishes the "Postal Service Financial Responsibility and Management Assistance Authority (Authority).

Subsection (b) outlines Postal Service operations during a "control period." Specifically, it defines a control period as beginning from the time at which the Authority has at least four members appointed and ending when the Postal Service has met a series of financial targets. Once a control period begins, the current Postal Service Governors are removed from office, and all roles and responsibilities of the Governors are assumed by the Authority. Also, during a control period, Level-Two Postal Career Executive Service employees serve at the pleasure of the Authority and have strict compensation limits. The subsection further outlines the steps necessary to terminate a control period, including a requirement that the Postal Service be profitable for 2 consecutive years and that it be in position to properly fund its retirement obligations for postal employees and retirees.

Section 203. Membership and qualification requirements

Subsection (a) establishes the membership of the Authority, which shall consist of five individuals, who shall be appointed by the president and shall report to the Secretary of the Treasury. Of those five individuals, one each shall be appointed taking into consideration individuals recommended by the Speaker of the House, the Minority Leader of the House, the Majority Leader of the Senate, the Minority Leader of the Senate, and the Comptroller General of the United States. Additionally, no more than three members of the Authority may be of the same party, and the President has the power to designate the Chair of the Authority. A sense of Congress asks that the President appoint members as soon as practicable, but not later than 30 days after the enactment of the Act. The initial terms of office of members of the Authority is 3 years, with the second term for each seat then staggered such that in subsequent years no more than two seats become vacant. Members of the Authority are made eligible to receive a salary equivalent to level III of the Executive Schedule for full-time service.

Subsection (b) details specific qualification requirements for members of the Authority, focusing on leadership roles in large organizations, and disqualifies individuals who have been affiliated with the Postal Service, the Postal Regulatory Commission, or a postal employee organization within the last 5 years.

Section 204. Organization and staff

Subsection (a) requires the Authority to adopt operational bylaws as soon as practicable.

Subsection (b) requires the hiring of an Executive Director for the Authority that is appointed by the Chair and paid at a rate not more than Level IV of the Executive Schedule. The subsection also authorizes the hiring of such additional staff as it deems necessary, allows that staff be hired outside of the normal requirements for competitive service, and enables the Authority to receive detailees from other federal agencies.

Section 205. Funding

Subsection (a) authorizes the Authority to appropriate up to $10 million from the Postal Service Fund, on an annual basis, to fund the expenses of the Authority, including the cost of facilities and employee compensation.

Subsection (b) grants the Authority, upon its creation, a partial-year appropriation from the Postal Service Fund prorated from $10 million by the remaining time in the fiscal year.

Subsection (c) requires the Postal Service to include funding for the Authority in its budget submission to Congress.

Section 206. Responsibilities and powers

Grants all duties and responsibilities of the Governors and Board of Governors to the Authority.

Requires the Authority to determine the overall strategies of the Postal Service.

Grants the Authority the responsibility of hiring, monitoring, compensating, and, when necessary, replacing senior management at the Postal Service.

Requires the Authority to approve major policies, including those related to the Postal Service's financial condition and to the provision of universal service.

Requires the Authority to approve corporate budgets, financial and capital plans, operations goals, and human resource strategies.

Requires the Authority to formulate and communicate organizational policy and positions on legislative matters to Congress and the public.

Requires the Authority to additionally carry out any other responsibility not otherwise mentioned in this section that was the responsibility of the Board of Governors at any time in the last 5 years.

Section 207. Development of Financial Plan and budget for the solvency of the Postal Service

Subsection (a) requires the Postmaster General to submit a Financial Plan and Budget for any fiscal year during a control period for the long-term solvency of the Postal Service to the Authority.

Subsection (b) requires the Financial Plan and Budget to meet the requirements in subsection (c) to promote the financial stability of the Postal Service, and it must include the Postal Service's Integrated Financial Plan, a description of lump-sum expenditures, capital expenditures, estimates of overall debt, and cash flow and liquidity forecasts. It is also required to include a statement describing significant assumptions as well as any other provisions the Authority deems necessary.

Subsection (c) details the requirements for financial stability, including the requirement that the Postal Service present a balanced budget for fiscal year 2016 and that the Postal Service needs to make substantial progress in each year in implementing reforms that will improve the net financial condition of the Postal Service in order to promote long-term solvency.

Subsection (d) defines long-term solvency as the ability of the Postal Service to pay all its accrued debts and expenses and meet the obligations of title 39 for the foreseeable future.

Section 208. Process for submission and approval of Financial Plan and Budget

Requires the Authority to either approve the Postmaster's Financial Plan and Budget or to disapprove of it, specify the reasons for disapproval to the President and Congress, and compose its own Financial Plan and Budget.

Authorizes the Postmaster General to submit revisions to the plan and grants the Authority final approval over those revisions.

Establishes that it be the policy of the Authority to take any action necessary and permitted by law to ensure that the financial plan and budget is fully implemented and that its goals are achieved.

Requires the Authority to take any additional actions it deems necessary and permitted by law to ensure the long-term solvency of the Postal Service, including, but not limited to, accelerating the conversion of door delivery points to more cost effective methods, transitioning to a 2–3 day standard for First-Class Mail delivery, consolidating additional mail processing facilities, and any other action consistent with this Act and U.S. Code.

Section 209. Dissolution of the Authority; Reconstitution of the Board of Governors

Dissolves the Authority following the termination of the control period.

Reconstitutes the Board of Governors as a five member panel, each confirmed by the Senate, no more than three of which can be members of the same party. The terms of the Governors shall be set at 7 years, and at the completion of the control period, the members of the Authority shall become the initial members of the reconstituted Board, with a requirement put in place that no Governor may serve more than 14 years. Also requires the Board of Governors to submit an annual itemized report describing all travel and reimbursable business expenses paid to each Governor, as well as justifications for any such expenses that deviate from the Governors statutorily authorized reimbursement rights.

SUBTITLE B—OTHER MATTERS

Section 211. Appointment of Postal Service Inspector General

Changes the selection of the Inspector General of the Postal Service from an appointment by the Postal Service Board of Governors to a Presidential appointment.

Section 212. Membership of the Board of Governors

Subsection (a) removes the Postmaster General as a member of the Board of Governors.

Subsection (b) removes the Deputy Postmaster General as a member of the Board of Governors.

TITLE III—POSTAL SERVICE WORKFORCE

Section 301. Applicability of reduction-in-force procedures

Prospectively prohibits Postal Service collective bargaining agreements from containing provisions that restrict the use of title 5 reduction-in-force procedures.

Authorizes the Postal Service and a union to agree to additional forms of reduction-in-force procedures other than those specified in title 5. Such non-title 5 procedures are explicitly banned from inclusion in any collective bargaining agreement without the consent of the applicable union.

Section 302. Postal Service FEHBP and FEGLI funding requirements

Requires, not later than January 1, 2020, the Postal Service must achieve health and life insurance premium contribution level parity with the rest of the federal government.

Section 303. Repeal of provision relating to overall value of fringe benefits

Repeals a provision requiring the overall value of fringe benefits to be equal to that of fringe benefits available in 1971.

Section 304. Modifications relating to determination of pay comparability

Clarifies existing postal pay comparability standards to refer to total compensation and the entire private sector.

Section 305. Last-Best-Final-Offer negotiations

Reforms the collective bargaining process to contain a mediation-arbitration process with a defined timeline modeled after recommendations of the 2003 President's Commission on the Postal Service. Under the new process, an arbitration board consists of three neutral individuals. Further, any arbitration award is required to take into account both compensation comparability with the private sector and the financial condition of the Postal Service. Finally, once the arbitration stage has been reached, any agreement reached by the Postal Service and a union independent of the arbitration panel must also satisfy these same requirements related to compensation and the financial condition of the Postal Service. If such an agreement fails to do so, the arbitration panel is required to amend the agreement in a manner that does satisfy the requirements.

Section 306. Postal Service workers' compensation reform

Following written notification by the Authority established under section 202, the Postmaster General is to establish a workers' compensation program for Postal Service employees. The program, developed in consultation with employee representatives, must transition postal employees receiving workers' compensation to retirement benefits when the employees reach retirement age and may not provide augmented compensation for dependents. The Postal Service must provide the Congressional committees of jurisdiction with a detailed description of the program and publish such information in the Federal Register no later than 9 months following the Authority's aforementioned written notification.

Section 307. Reporting requirement

Amends chapter 10 of title 39 to insert a new section, section 1012, Official Time Reporting. This section requires the Postal Service to annually submit to Congress a report detailing: 1) the total amount of official time granted to employees; 2) the average amount of official time expended per bargaining unit employee; 3) the specific types of activities or purposes for which official time was granted; 4) the total number of employees to whom official time was granted and the number who were not engaged in any activities except those using official time; and 5) the total amount of compensation afforded to employees in connection with activities for which they were granted official time.

Requires that the Postal Service present the information both by management association and union and collectively.

TITLE IV—POSTAL SERVICE REVENUE

Section 401. Adequacy, efficiency, and fairness of postal rates

Requires each market-dominant product must cover its costs, while maintaining the statutory price cap based on the Consumer Price Index.

Requires that rates for any market-dominant class of mail covering less than 90 percent of costs must, after a 2-year delay, increase annually at a rate of 2 percent above the rate of inflation.

Requires the PRC to take into account the provisions of title IV of the Postal Reform Act when reviewing the postal rate structure in 2017.

Requires the PRC to conduct a study during the 2-year delay period to determine the impact of Postal Service excess capacity on attributable costs of loss-making classes of mail and to factor this impact into their costs for the purposes of the rate adjustments required by this section. Market-dominant classes include First-Class Mail, Standard Mail (mainly advertising), Periodicals (mainly magazines and newspapers), and Package Services (mainly single-piece Parcel Post, Media Mail, library mail, and bound printed matter). Rates for any market-dominant class that does not cover 100 percent of its costs must be established so as to maximize incentives to reduce costs and increase efficiency.

Section 402. Repeal of rate preferences for qualified political committees

Renders national and state political committees ineligible for rate preferences that are received by nonprofit organizations.

Section 403. Use of negotiated service agreements

Subsection (a) requires the PRC to conduct streamlined after-the-fact review of new negotiated service agreements for competitive products if they are functionally equivalent to existing agreements that have collectively covered costs and improved the Postal Service's net financial position.

Subsection (b) grants the Postal Service Board of Governors the flexibility to delegate to the Postmaster General the submission to the PRC of negotiated service agreements that meet the requirements of subsection (a).

Subsection (c) requires that each group of functionally equivalent negotiated service agreements, including those covering market-dominant and competitive products, cover its costs and improve the Postal service's net financial position. The subsection further specifies that market dominant negotiated service agreements must improve the net financial condition of the Postal service and not cause an unfair competitive advantage to the Postal Service or users eligible for the agreements or an unreasonable disruption to the volumes or revenues of other postal users. The subsection also requires agreements remanded to the Commission after the date of enactment to be considered under the new criteria.

Section 404. Nonpostal services

Creates a new Chapter, 37—Nonpostal Services, in title 39:

§ 3701. Purpose—The purpose of this section is to enable the Postal Service to increase its net revenues through specific non-

postal products and services expressly authorized by law. Postal Service revenues and expenses for these specific nonpostal products and services are required to be funded through the Postal Service Fund.

§3702. Definitions—This section defines key terms. One key term, "nonpostal services," is defined as specific nonpostal services that are expressly authorized by this legislation and that are not postal products or services.

§3703. Postal Service Advertising Program—The Postal Service is authorized under this section to establish and manage a program that allows entities to advertise at its facilities and on its vehicles, provided that the advertising is consistent with the integrity of the Postal Service, covers at least 200 percent of its costs, and is subject to the PRC's annual compliance review. The Postal Service must publicly disclose expenditures and revenues for this program in its Annual Reports.

§3704. Postal Service Program for State Governments—This section authorizes the Postal Service to establish a program to provide services for State agencies, subject to safeguards to ensure that these services provide enhanced value to the public, do not interfere with or detract from the value of postal services, and provide a reasonable contribution to Postal Service overhead costs by covering at least 150 percent of costs. To provide transparency and an opportunity for stakeholder input, the Postal Service is required to publish its business plan for State services it plans to offer, followed by a public comment period and a published Postal Service response. At least two-thirds of the presidentially-appointed Postal Service Governors must approve of USPS providing specific State services by a publicly recorded vote.

§3705. Postal Service Program for Other Government Agencies—The Postal Service is authorized to continue providing property and services for other federal agencies and the Government Printing Office, provided it receives reimbursement covering 100 percent of its costs. This cost-coverage requirement is intended to ensure that ratepayers do not subsidize services provided for other federal agencies.

§3706. Transparency and Accountability for Nonpostal Services—The Postal Service must annually report financial results, rates, and the quality of its nonpostal services within 90 days after the end of each fiscal year, with proprietary data protected from disclosure. The PRC must annually review compliance that nonpostal services meet cost-coverage and other requirements; order remedial action to remedy any noncompliance; and can initiate proceedings to improve data quality and completeness. The Postal Service IG must regularly audit applicable data collection systems and procedures. These provisions are modeled after existing provisions for market-dominant products. Clarifies that all nonpostal services continued pursuant to 404(e) of title 39 are considered expressly authorized by chapter 37 of title 39 and are subject to the same transparency and accountability requirements as other nonpostal services.

Section 405. Alaska bypass mail modernization

Subsection (a) eliminates an existing statutory preference for mainline air carriers that were operating in Alaska on January 1, 2001, for the purposes of awarding bypass mail.

Subsection (b) requires Alaska bypass mail to cover a minimum of 30 percent of its attributable costs for fiscal year 2014, a requirement that increases by 5 percent per year until it reaches 50 percent cost coverage in fiscal year 2018.

Section 406. Appropriations modernization

Eliminates a provision in law allowing the Postal Service to ask for a public service taxpayer subsidy and eliminates two other provisions that constitute the last remaining direct taxpayer expenditures in support of the Postal Service.

Repeals section 3627 of title 39.

Section 407. Enhanced product innovation

Increases the permissible dollar amount limitation for market tests of experimental products from $10,000,000 to $50,000,000.

Increases the dollar limit for exemption authority for market tests of experimental products from $50,000,000 to $100,000,000.

TITLE V—POSTAL SERVICE FINANCE

Section 501. Treatment of Postal Service postemployment benefit funding projected surpluses

Amends section 8423 of title 5 to require that any net projected actuarial surpluses between the Postal Service accounts for the Civil Service Retirement System and the Federal Employee Retirement System be transferred to the Postal Service Retiree Health Benefits Fund on an annual basis.

Section 502. Retiree Health Benefit Liability Payment Schedule

Amends title 5 to eliminate the two statutory retiree health care prefunding payments the Postal Service has previously defaulted on, as well as the specified future payments for fiscal years 2013–2016.

Advances the beginning of the actuarial-based payment period so that the first payment under the actuarial system is due on September 30, 2015 instead of September 30, 2017.

Section 503. Supplementary borrowing authority during a control period

Amends chapter 20 of title 39 to insert a new section, section 2012.

Subsection (a) of section 2012 authorizes the Postal Service, upon the commencement of a control period, to assume an additional $5 billion in debt subject to the same terms and conditions as the debt authorized by section 2005 of title 39, except as provided under subsection (b).

Subsection (b) of section 2012 sunsets the authorization to borrow funds under this section on September 30, 2022.

Subsection (c) of section 2012 requires that any funds borrowed as a result of this section be deposited in the Postal Service Fund.

Subsection (d) of section 2012 requires the Postal Service to pledge a sufficient amount of real property in relation to the amount of supplemental borrowing authority it has utilized to satisfy the requirement of subsection (f).

Subsection (e) of section 2012 requires the Postal Service to pay down 20 percent of its outstanding supplemental debt each fiscal year.

Subsection (f) of section 2012 defines the terms "Authority" and "control period."

Section 504. Postal Service Delivery-Point Modernization Fund

Amends chapter 20 of title 39 to insert a new section, section 2013.

Subsection (a) of section 2013 establishes within the Treasury the "Postal Service Delivery-Point Modernization Fund" as a revolving fund.

Subsection (b) of section 2013 authorizes the Postal Service to borrow up to $1 billion to carry out the purposes of section 3692, which is created by section 102 of this Act, requires any funds borrowed under this section to be deposited in the Postal Service Delivery-Point Modernization Fund, and applies the constraints found in subsections 2005(b), (c), and (d) of title 39 to the borrowed funds.

Subsection (c) of section 2013 sunsets the authorization to borrow funds on September 30, 2023.

Subsection (d) of section 2013 places the fund "off-budget" relative to the official budget of the United States Government and renders it exempt from any general budget limitation imposed by statute on expenditures and net lending.

Subsection (e) sunsets the Postal Service Delivery-Point Modernization Fund on September 30, 2023, with any funds going to first pay any debt accrued under this section and then any remaining funds being deposited in the Postal Service Fund.

Section 505. Specific retirement liability calculations relating to the postal service

Requires the Office of Personnel Management to use Postal Service specific assumptions to calculate the Postal Service's overall liability and normal cost payments under the Federal Employee Retirement System and the Civil Service Retirement System.

TITLE VI—POSTAL CONTRACTING REFORM

Section 601. Contracting provisions

This section adds a new chapter, 7—Contracting Provisions, to title 39:

§ 701. Definitions—Defines terms used in the chapter. "Postal contract" is defined as any contract for the procurement of goods or service, including any agreement or memorandum of understanding entered into by the Postal Service or the PRC. As applied to the PRC, postal contracts are defined as those in excess of the Simplified Acquisition Threshold, currently $150,000.

§ 702. Advocate for competition—The Postal Service and PRC must establish competition advocates responsible for promoting the contracting out of functions that the private sector can perform equally well or better and at lower cost. The competition advocates

are to promote competition to the maximum extent practicable, consistent with obtaining best value, and to review procurement activities. Each competition advocate must report annually on initiatives to promote outsourcing and competition and on any existing barriers. Currently, there are no statutory requirements for any officers of these organizations to seek any level of competition.

§ 703. Delegation of contracting authority—The Postal Service and PRC must issue policies on contracting officer delegations of authority. Any delegation of authority for postal contracts outside the functional contracting unit must be made readily available and accessible on its website. No-excuses policies clearly establish responsibility and accountability for postal contracts. A contracting officer is required to maintain an awareness of and engagement in the activities being performed on all postal contracts of which that officer has cognizance, including contracts involving delegations of authority. The senior procurement executive is given ultimate responsibility and accountability for the award and administration of postal contracts.

§ 704. Posting of noncompetitive purchase requests for noncompetitive contracts—The Postal Service must publicly post the noncompetitive purchase request for any noncompetitive award for postal contracts of at least $250,000, with this amount adjusted annually based on inflation. These postings are subject to proprietary information exceptions and competitive disadvantage waivers. The PRC must post noncompetitive purchase requests of at least $20,000.

§ 705. Review of ethical issues—Ethics officials at the Postal Service and PRC are required to review any ethical issues relating to a proposed contract before it is awarded and advise the contracting officer on their appropriate resolution.

§ 706. Ethical restrictions on participation in certain contracting activity—The Postal Service and PRC are required to establish regulations that limit contracting officers from entering into a postal contract with any party with whom the contracting officer has a personal or business relationship, as defined in the Standards of Ethical Conduct for Employees of the Executive Branch. The heads of these entities may grant waivers for contracts in their respective organizations, but such waivers must be posted on their respective websites. They also may void any contract and recover amounts expended under the contract in any cases where there is a final conviction of bribery or conflict of interest.

Section 602. Technical amendment to definition

Corrects a technical amendment made in the 2006 amendments to the Contract Disputes Act that inadvertently deleted the Postal Service and PRC from the definition of executive agencies covered by this act. This correction will resolve any ambiguity and clarify that that Act applies to the Postal Service and the PRC, as it has since its enactment in 1978.

Section 603. Contract limitation

Establishes a requirement that new Postal Service contracts with large businesses within 6 months of a reduction-in-force include a provision granting a hiring preference to former career Postal Service employees who were separated from service as a result of a reduction-in-force and are not eligible for immediate retirement. The requirement for the provision to be included in new contracts expires 2 years after the date of enactment.

TITLE VII—OTHER PROVISIONS

Section 701. Postal facility designations

Designates post offices and post office buildings for the following individuals: 1) Officer Tommy Decker, 2) Richark K. Salick, 3) National Park Ranger Margaret Anderson, and 4) Judge Shirley A. Tolentino.

Section 702. Response to submissions by the postal service

Amends chapter 5 of title 39 to insert a new section, 506, which allows the PRC to dismiss without prejudice any Postal Service filing, if the PRC issues an initial determination that the filing does not contain adequate information upon which the Commission may make its decision.

Section 703. Fair stamp-evidencing competition

Requires the Postal Service to follow the same rules and regulations as apply to private sector postage-evidencing products and services.

Section 704. USPS Innovation Officer and accountability

Amends chapter 2 of title 39 to insert a new section, section 209.

Subsection (a) of section 209 requires the Postmaster General to select a Chief Innovation Officer (CIO) who has a proven record of success in the postal or shipping industry, innovation, brand marketing strategy, emerging communications technology, or business process management. Requires the CIO to lead the development of innovative postal and nonpostal services.

Subsection (b) establishes the duties of the CIO, including: 1) leading the development of postal and nonpostal products that maximize revenue to the Postal Service, 2) monitoring the performance of innovative products and services, and 3) taking into opinion, if applicable, advisory opinions of the PRC.

Subsection (c) requires the CIO to be appointed by January 1, 2014 and clarifies that the CIO can be a current Postal Service employee, but, upon appointment, must leave any other position within the Postal Service.

Subsection (d) requires the Postmaster General, within 12 months of the CIO's appointment, to submit to Congress a report outlining a strategy for maximizing revenue from innovative products. The report must include specific innovative products to be developed, the nature of the market for each product, the likely offering date of each product, the cost of developing each product, the anticipated sales volume of each product, the anticipated revenue and profit generated by each product, the likelihood of success of each product, the market trends that may affect the success of each product, the metrics that will be utilized to assess the success of the innovation strategy, and specific ways in which innovative mailpiece design can be encouraged. Further requires an updated report on January 1, 2018 and every 3 years thereafter.

Subsection (e) requires the Comptroller General to conduct a study on the implementation of the innovation strategy not later than 4 years after the date of enactment of the section. The report is required to include: 1) an audit of the development costs for each innovative product, 2) the sales volumes of each product, 3) the revenues and profits of each product, and 4) the likelihood of continued success of each product.

Section 705. Postal Regulatory Commission travel reporting

Requires PRC Commissioners to submit an itemized report describing all travel and reimbursable travel expenses paid to each Commissioner to Congress. Additionally, requires detailed justification for any travel or reimbursable travel expenses that deviate from the Commission's travel expense policies and guidelines.

EXPLANATION OF AMENDMENTS

Rep. Meehan of Pennsylvania offered an amended that modified section 102 to clarify the Postal Service's requirement to consult with affected areas during a transition from to the door delivery and added in an additional requirement that the Postal Service Inspector General perform an annual audit of the door delivery conversion program to ensure proper compliance with the law. This amendment was agreed to by voice vote.

Rep. Turner of Ohio offered an amendment to add places that are designated as a National Historic Landmark to the list of factors the Postal Service is to take into account when selecting areas to convert from to the door delivery. This amendment was agreed to by voice vote en bloc.

Rep. Woodall of Georgia offered an amendment that would place an aggregate $200 limit on the value of non-cash awards or honorary recognitions that could be received by Level-Two Postal Career Executive Service officials. This amendment was agreed to by voice vote.

Rep. Farenthold of Texas offered an amendment to clarify that when formulating a plan and budget the Authority must comply with "Generally Accepted Accounting Principles and Federal law (including regulations)" and made a technical correction to section 703. This amendment was agreed to by voice vote.

Rep. Turner of Ohio offered an amendment to require that the Chief Innovation Officer make efforts to identify ways in which innovative mailpiece design could be encouraged by the Postal Service. This amendment was agreed to by voice vote en bloc.

COMMITTEE CONSIDERATION

On July 24, 2013, the Committee met in open session and ordered reported favorably the bill, H.R. 2748, as amended, by roll call vote, a quorum being present.

ROLL CALL VOTES

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

113TH CONGRESS – RATIO (23-18)

ROLL CALL

Meeting on: ___Full Committee Markup Vote #1__________________________ **Date: _7/24/13__________**
Vote on: _H.R. 2748 - amendment (#1) Cummings ANS

Republicans	Aye	No	Present	Democrats	Aye	No	Present
MR. ISSA (CA) *(Chairman)*		X		MR. CUMMINGS (MD) *(Ranking)*	X		
MR. MICA (FL)		X		MRS. MALONEY (NY)	X		
MR. TURNER (OH)		X		MS. NORTON (DC)	X		
MR. DUNCAN (TN)				MR. TIERNEY (MA)	X		
MR. McHENRY (NC)		X		MR. CLAY (MO)	X		
MR. JORDAN (OH)		X		MR. LYNCH (MA)	X		
MR. CHAFFETZ (UT)		X		MR. COOPER (TN)	X		
MR. WALBERG (MI)		X		MR. CONNOLLY (VA)	X		
MR. LANKFORD (OK)		X		MS. SPEIER (CA)	X		
MR. AMASH (MI)		X		MR. CARTWRIGHT (PA)	X		
DR. GOSAR (AZ)		X		MR. POCAN (WI)	X		
MR. MEEHAN (PA)		X		MRS. DUCKWORTH (IL)	X		
DR. DesJARLAIS (TN)		X		MS. KELLY (IL)	X		
MR. GOWDY (SC)		X		MR. DAVIS (IL)	X		
MR. FARENTHOLD (TX)		X		MR. WELCH (VT)	X		
MR. HASTINGS (WA)		X		MR. CARDENAS (CA)	X		
MRS. LUMMIS (WY)		X		MR. HORSFORD (NV)			
MR. WOODALL (GA)		X		MS. LUJAN GRISHAM (NM)	X		
MR. MASSIE (KY)		X					
MR. COLLINS (GA)		X					
MR. MEADOWS (NC)		X					
MR. BENTIVOLIO (MI)		X					
MR. DeSANTIS (FL)		X					

Roll Call Totals: Ayes ___17___ Nays ___22___ Present ________

Voice Vote: Passed ______ Failed _X___ Unanimous consent: Passed ______ Failed ______

[Quorum to bring up bill = 14 Quorum to report bill = 21]

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

113TH CONGRESS – RATIO (23-18)

ROLL CALL

Meeting on: ___Full Committee Markup _Vote # 2__________________________ Date: _7/24/13__________
Vote on: _H.R. 2748 - amendment (#3) Tierney – strike Sec. 306

Republicans	Aye	No	Present	Democrats	Aye	No	Present
MR. ISSA (CA) *(Chairman)*		X		MR. CUMMINGS (MD) *(Ranking)*	X		
MR. MICA (FL)		X		MRS. MALONEY (NY)	X		
MR. TURNER (OH)		X		MS. NORTON (DC)	X		
MR. DUNCAN (TN)				MR. TIERNEY (MA)	X		
MR. McHENRY (NC)		X		MR. CLAY (MO)	X		
MR. JORDAN (OH)		X		MR. LYNCH (MA)	X		
MR. CHAFFETZ (UT)		X		MR. COOPER (TN)	X		
MR. WALBERG (MI)		X		MR. CONNOLLY (VA)	X		
MR. LANKFORD (OK)		X		MS. SPEIER (CA)	X		
MR. AMASH (MI)		X		MR. CARTWRIGHT (PA)	X		
DR. GOSAR (AZ)		X		MR. POCAN (WI)	X		
MR. MEEHAN (PA)		X		MRS. DUCKWORTH (IL)	X		
DR. DesJARLAIS (TN)		X		MS. KELLY (IL)	X		
MR. GOWDY (SC)		X		MR. DAVIS (IL)	X		
MR. FARENTHOLD (TX)		X		MR. WELCH (VT)	X		
MR. HASTINGS (WA)		X		MR. CARDENAS (CA)	X		
MRS. LUMMIS (WY)		X		MR. HORSFORD (NV)			
MR. WOODALL (GA)		X		MS. LUJAN GRISHAM (NM)	X		
MR. MASSIE (KY)		X					
MR. COLLINS (GA)		X					
MR. MEADOWS (NC)		X					
MR. BENTIVOLIO (MI)		X					
MR. DeSANTIS (FL)		X					

Roll Call Totals: Ayes ____17____ Nays ____22____ Present ________

Voice Vote: Passed ______ Failed __X__ Unanimous consent: Passed ______ Failed ______

[Quorum to bring up bill = 14 Quorum to report bill = 21]

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

113TH CONGRESS – RATIO (23-18)

ROLL CALL

Meeting on: ___Full Committee Markup _Vote # 3__________________________ Date: _7/24/13__________
Vote on: _H.R. 2748 - amendment (#5) Lynch – strike Sec. 102

Republicans	Aye	No	Present	Democrats	Aye	No	Present
MR. ISSA (CA) *(Chairman)*		X		MR. CUMMINGS (MD) *(Ranking)*	X		
MR. MICA (FL)		X		MRS. MALONEY (NY)	X		
MR. TURNER (OH)		X		MS. NORTON (DC)	X		
MR. DUNCAN (TN)				MR. TIERNEY (MA)	X		
MR. McHENRY (NC)		X		MR. CLAY (MO)	X		
MR. JORDAN (OH)		X		MR. LYNCH (MA)	X		
MR. CHAFFETZ (UT)		X		MR. COOPER (TN)	X		
MR. WALBERG (MI)		X		MR. CONNOLLY (VA)	X		
MR. LANKFORD (OK)		X		MS. SPEIER (CA)	X		
MR. AMASH (MI)		X		MR. CARTWRIGHT (PA)	X		
DR. GOSAR (AZ)		X		MR. POCAN (WI)	X		
MR. MEEHAN (PA)		X		MRS. DUCKWORTH (IL)	X		
DR. DesJARLAIS (TN)		X		MS. KELLY (IL)	X		
MR. GOWDY (SC)		X		MR. DAVIS (IL)	X		
MR. FARENTHOLD (TX)		X		MR. WELCH (VT)	X		
MR. HASTINGS (WA)		X		MR. CARDENAS (CA)	X		
MRS. LUMMIS (WY)		X		MR. HORSFORD (NV)			
MR. WOODALL (GA)		X		MS. LUJAN GRISHAM (NM)	X		
MR. MASSIE (KY)		X					
MR. COLLINS (GA)		X					
MR. MEADOWS (NC)		X					
MR. BENTIVOLIO (MI)		X					
MR. DeSANTIS (FL)		X					

Roll Call Totals: Ayes 17 Nays 22 Present ______

Voice Vote: Passed ______ Failed X Unanimous consent: Passed ______ Failed ______

[Quorum to bring up bill = 14 Quorum to report bill = 21]

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

113TH CONGRESS – RATIO (23-18)

ROLL CALL

Meeting on: ___Full Committee Markup _Vote # 4__________________________ Date: _7/24/13_________
Vote on: _H.R. 2748 - amendment (#7) Lynch – strike Sec. 301

Republicans	Aye	No	Present	Democrats	Aye	No	Present
MR. ISSA (CA) *(Chairman)*		X		MR. CUMMINGS (MD) *(Ranking)*	X		
MR. MICA (FL)		X		MRS. MALONEY (NY)	X		
MR. TURNER (OH)		X		MS. NORTON (DC)	X		
MR. DUNCAN (TN)				MR. TIERNEY (MA)	X		
MR. McHENRY (NC)		X		MR. CLAY (MO)	X		
MR. JORDAN (OH)		X		MR. LYNCH (MA)	X		
MR. CHAFFETZ (UT)		X		MR. COOPER (TN)	X		
MR. WALBERG (MI)		X		MR. CONNOLLY (VA)	X		
MR. LANKFORD (OK)		X		MS. SPEIER (CA)	X		
MR. AMASH (MI)		X		MR. CARTWRIGHT (PA)	X		
DR. GOSAR (AZ)		X		MR. POCAN (WI)	X		
MR. MEEHAN (PA)		X		MRS. DUCKWORTH (IL)	X		
DR. DesJARLAIS (TN)		X		MS. KELLY (IL)	X		
MR. GOWDY (SC)		X		MR. DAVIS (IL)	X		
MR. FARENTHOLD (TX)		X		MR. WELCH (VT)	X		
MR. HASTINGS (WA)		X		MR. CARDENAS (CA)	X		
MRS. LUMMIS (WY)		X		MR. HORSFORD (NV)			
MR. WOODALL (GA)		X		MS. LUJAN GRISHAM (NM)	X		
MR. MASSIE (KY)		X					
MR. COLLINS (GA)		X					
MR. MEADOWS (NC)		X					
MR. BENTIVOLIO (MI)		X					
MR. DeSANTIS (FL)		X					

Roll Call Totals: Ayes ____17____ Nays ____22____ Present ________

Voice Vote: Passed ______ Failed __X____ Unanimous consent: Passed ______ Failed ______

[Quorum to bring up bill = 14 Quorum to report bill = 21]

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

113TH CONGRESS – RATIO (23-18)

ROLL CALL

Meeting on: ___Full Committee Markup _Vote # 5___________________________ Date: _7/24/13__________
Vote on: _H.R. 2748 - amendment (#8) Lynch – strike Sec. 501

Republicans	Aye	No	Present	Democrats	Aye	No	Present
MR. ISSA (CA) *(Chairman)*		X		MR. CUMMINGS (MD) *(Ranking)*	X		
MR. MICA (FL)		X		MRS. MALONEY (NY)	X		
MR. TURNER (OH)		X		MS. NORTON (DC)	X		
MR. DUNCAN (TN)				MR. TIERNEY (MA)	X		
MR. McHENRY (NC)		X		MR. CLAY (MO)	X		
MR. JORDAN (OH)		X		MR. LYNCH (MA)	X		
MR. CHAFFETZ (UT)		X		MR. COOPER (TN)	X		
MR. WALBERG (MI)		X		MR. CONNOLLY (VA)	X		
MR. LANKFORD (OK)		X		MS. SPEIER (CA)	X		
MR. AMASH (MI)		X		MR. CARTWRIGHT (PA)	X		
DR. GOSAR (AZ)		X		MR. POCAN (WI)	X		
MR. MEEHAN (PA)		X		MRS. DUCKWORTH (IL)	X		
DR. DesJARLAIS (TN)		X		MS. KELLY (IL)	X		
MR. GOWDY (SC)		X		MR. DAVIS (IL)	X		
MR. FARENTHOLD (TX)		X		MR. WELCH (VT)	X		
MR. HASTINGS (WA)		X		MR. CARDENAS (CA)	X		
MRS. LUMMIS (WY)		X		MR. HORSFORD (NV)			
MR. WOODALL (GA)		X		MS. LUJAN GRISHAM (NM)	X		
MR. MASSIE (KY)		X					
MR. COLLINS (GA)		X					
MR. MEADOWS (NC)		X					
MR. BENTIVOLIO (MI)		X					
MR. DeSANTIS (FL)		X					

Roll Call Totals: Ayes ____17____ Nays ____22____ Present __________

Voice Vote: Passed ______ Failed __X__ Unanimous consent: Passed ______ Failed ______

[Quorum to bring up bill = 14 Quorum to report bill = 21]

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

113TH CONGRESS – RATIO (23-18)

ROLL CALL

Meeting on: ___Full Committee Markup _Vote # 6___________________________ Date: _7/24/13__________
Vote on: _H.R. 2748 – Final Passage, as amended

Republicans	Aye	No	Present	Democrats	Aye	No	Present
MR. ISSA (CA) *(Chairman)*	X			MR. CUMMINGS (MD) *(Ranking)*		X	
MR. MICA (FL)	X			MRS. MALONEY (NY)		X	
MR. TURNER (OH)	X			MS. NORTON (DC)		X	
MR. DUNCAN (TN)				MR. TIERNEY (MA)		X	
MR. McHENRY (NC)	X			MR. CLAY (MO)		X	
MR. JORDAN (OH)	X			MR. LYNCH (MA)		X	
MR. CHAFFETZ (UT)	X			MR. COOPER (TN)		X	
MR. WALBERG (MI)	X			MR. CONNOLLY (VA)		X	
MR. LANKFORD (OK)	X			MS. SPEIER (CA)		X	
MR. AMASH (MI)	X			MR. CARTWRIGHT (PA)		X	
DR. GOSAR (AZ)	X			MR. POCAN (WI)		X	
MR. MEEHAN (PA)	X			MRS. DUCKWORTH (IL)		X	
DR. DesJARLAIS (TN)	X			MS. KELLY (IL)		X	
MR. GOWDY (SC)	X			MR. DAVIS (IL)		X	
MR. FARENTHOLD (TX)	X			MR. WELCH (VT)		X	
MR. HASTINGS (WA)	X			MR. CARDENAS (CA)		X	
MRS. LUMMIS (WY)	X			MR. HORSFORD (NV)			
MR. WOODALL (GA)	X			MS. LUJAN GRISHAM (NM)		X	
MR. MASSIE (KY)	X						
MR. COLLINS (GA)	X						
MR. MEADOWS (NC)	X						
MR. BENTIVOLIO (MI)	X						
MR. DeSANTIS (FL)	X						

Roll Call Totals: Ayes ___22___ Nays ___17___ Present ________

Voice Vote: Passed __X__ Failed ______ Unanimous consent: Passed ______ Failed ______

[Quorum to bring up bill = 14 Quorum to report bill = 21]

Application of Law to the Legislative Branch

Section 102(b)(3) of Public Law 104–1 requires a description of the application of this bill to the legislative branch where the bill relates to the terms and conditions of employment or access to public services and accommodations. This bill institutes a large number of targeted reforms designed to enable the Postal Service to cut costs, streamline operations, find opportunities for revenue growth, and adapt to Americans' declining demand for paper-based communication. Legislative branch employees and their families, to the extent that they are otherwise eligible for the benefits provided by this legislation, have equal access to its benefits.

Statement of Oversight Findings and Recommendations of the Committee

In compliance with clause 3(c)(1) of rule XIII and clause (2)(b)(1) of rule X of the Rules of the House of Representatives, the Committee's oversight findings and recommendations are reflected in the descriptive portions of this report.

Statement of General Performance Goals and Objectives

In accordance with clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee's performance goals and objectives are reflected in the descriptive portions of this report.

Disclosure of Directed Rule Makings

H.R. 2748 authorizes and requires the Postal Service and Postal Regulatory Commission. Specifically, the Postal Service is authorized to issue regulations to calculate reimbursement costs for legacy door delivery service and it is required to issue regulations to set standards and procedures for a voucher program to offset the costs to postal customers for a conversion from door delivery. The Postal Regulatory Commission is required to issue guidelines to appeal for the reopening of a post office closed due to the opening of a contract postal unit, as well as guidelines for the expedited procedure of a 39 U.S.C. 3661 review of a proposal that is substantially identical to one reviewed by the Commission within the previous five years. The Postal Regulatory Commission is also required to establish the methodologies the Postal Service may use to determine overall changes to the Postal Service's productivity. Additionally, the Commission is required to issue further regulations for determining the cost coverage of certain types of mail and to determine the appropriate categorization and oversight of new nonpostal products offered by the Postal Service that are authorized by this legislation.

Duplication of Federal Programs

No provision of H.R. 2748 establishes or reauthorizes a program of the Federal Government known to be duplicative of another Federal program, a program that was included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139, or a program related to a program identified in the most recent Catalog of Federal Domestic Assistance.

FEDERAL ADVISORY COMMITTEE ACT

The Committee finds that the legislation does not establish or authorize the establishment of an advisory committee within the definition of 5 U.S.C. App., Section 5(b).

UNFUNDED MANDATE STATEMENT

Section 423 of the Congressional Budget and Impoundment Control Act (as amended by Section 101(a)(2) of the Unfunded Mandate Reform Act, P.L. 104–4) requires a statement as to whether the provisions of the report include unfunded mandates. In compliance with this requirement the Committee has received a letter from the Congressional Budget Office included herein.

EARMARK IDENTIFICATION

H.R. 2748 does not include any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9 of rule XXI.

COMMITTEE ESTIMATE

Clause 3(d)(2) of rule XIII of the Rules of the House of Representatives requires an estimate and a comparison by the Committee of the costs that would be incurred in carrying out H.R. 2748. However, clause 3(d)(3)(B) of that rule provides that this requirement does not apply when the Committee has included in its report a timely submitted cost estimate of the bill prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act.

BUDGET AUTHORITY AND CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

With respect to the requirements of clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a) of the Congressional Budget Act of 1974 and with respect to requirements of clause (3)(c)(3) of rule XIII of the Rules of the House of Representatives and section 402 of the Congressional Budget Act of 1974, the Committee has received the following cost estimate for H.R. 2748 from the Director of Congressional Budget Office:

JUNE 23, 2014.

Hon. DARRELL ISSA,
Chairman, Committee on Oversight and Government Reform,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2748, the Postal Reform Act of 2013.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Mark Grabowicz.

Sincerely,

DOUGLAS W. ELMENDORF.

Enclosure.

H.R. 2748—Postal Reform Act of 2013

Summary: H.R. 2748 would change the laws that govern the operation of the United States Postal Service (USPS). Major provisions of the bill would:

- Permit the Postal Service to reduce mail delivery from six days per week to five;
- Authorize the Postal Service to phase out delivery of mail directly to some customers' doors;
- Require the use of demographic data specific to Postal Service employees for the calculation of certain retirement benefits;
- Reduce the contribution made by the Postal Service for employees' health and life insurance premiums;
- Change the payments that the Postal Service is required to make relating to the Postal Service Retiree Health Benefits Fund (PSRHBF); and
- Eliminate annual appropriations made to the Postal Service for free and reduced-rate mail.

In addition, other provisions of H.R. 2748 would aim to help the Postal Service reduce its operating costs and increase its revenues.

CBO estimates that enacting the bill would result in off-budget savings of $23.6 billion over the 2015–2024 period and on-budget costs of $6.6 billion. (USPS cash flows are recorded in the federal budget in the Postal Service Fund and are classified as off-budget, while the cash flows of the PSRHBF are on-budget.) Nearly all the off-budget savings derive from two provisions—reducing mail delivery to five days per week and phasing out delivery to customers' doors for some (but not all) addresses.

Combining those effects, CBO estimates that the net budgetary savings from enacting H.R. 2748 would be $17.0 billion over the 2015–2024 period. All of those effects reflect changes in direct spending. Enacting H.R. 2748 would not affect revenues. Pay-as-you-go procedures apply because enacting the legislation would affect on-budget direct spending.

In addition, CBO estimates that H.R. 2748 would affect discretionary spending, which is subject to future appropriation actions. We estimate that implementing the bill would have net discretionary costs of $5.2 billion over the 10-year period, assuming the necessary amounts are appropriated. Eliminating annual appropriations to the Postal Service would save about $750 million, which would be offset by costs of nearly $5.9 billion from higher retirement contributions made by federal agencies (although those retirement costs would be offset by higher receipts paid into the Civil Service Retirement and Disability Fund, as shown in the memorandum on Table 1).

H.R. 2748 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

H.R. 2748 would impose a private-sector mandate, as defined in UMRA, on national and state political committees by increasing their postal rates for third-class letters. Based on information from an affected committee and the USPS, CBO estimates that the cost to those mailers would be small and fall well below the annual threshold for private-sector mandates established in UMRA ($152 million in 2014, adjusted annually for inflation).

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 2748 is shown in Table 1. The costs of this legislation fall within budget functions 370 (commerce and housing credit), 550 (health), and 600 (income security).

Basis of estimate: For the purposes of this estimate, CBO assumes that H.R. 2748 will be enacted near the end of fiscal year 2014. The bill would affect outlays of the Postal Service Fund, which is off-budget, and the on-budget PSRHBF. CBO estimates that the net direct spending savings (combining the off-budget and on-budget effects) would total $17.0 billion over the 2015–2024 period.

TABLE 1.—SUMMARY OF BUDGETARY IMPACT OF H.R. 2748, THE POSTAL REFORM ACT OF 2013

	By fiscal year, in millions of dollars—											
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2015–2019	2015–2024
OFF-BUDGET CHANGES IN DIRECT SPENDING [a]												
Estimated Budget Authority	−2,778	−2,952	−1,379	−1,604	−1,765	−2,206	−2,460	−2,630	−2,800	−3,072	−10,477	−23,646
Estimated Outlays	−2,778	−2,952	−1,379	−1,604	−1,765	−2,206	−2,460	−2,630	−2,800	−3,072	−10,477	−23,646
ON-BUDGET CHANGES IN DIRECT SPENDING												
Estimated Budget Authority	3,276	3,474	−23	−22	−20	−19	−17	−14	−12	−9	6,684	6,613
Estimated Outlays	3,276	3,474	−23	−22	−20	−19	−17	−14	−12	−9	6,684	6,613
TOTAL CHANGES IN DIRECT SPENDING												
Estimated Budget Authority	498	522	−1,402	−1,626	−1,785	−2,225	−2,477	−2,644	−2,812	−3,081	−3,793	−17,033
Estimated Outlays	498	522	−1,402	−1,626	−1,785	−2,225	−2,477	−2,644	−2,812	−3,081	−3,793	−17,033
CHANGES IN SPENDING SUBJECT TO APPROPRIATION												
Estimated Authorization Level	418	437	459	482	506	531	557	584	612	639	2,302	5,225
Estimated Outlays	417	437	459	482	506	531	557	584	612	639	2,301	5,224
Memorandum [b]												
Increase in Offsetting Receipts Resulting from Higher Employer Contributions	−483	−502	−524	−547	−571	−596	−622	−649	−677	−704	−2,627	−5,876

Note: Components may not add to totals because of rounding. Positive numbers indicate increases in costs; negative numbers indicate reductions in costs.

[a] Cash flows of the Postal Service are classified as off-budget.

[b] Employer contributions are intragovernmental transactions that do not affect the deficit; negative numbers indicate an increase in such intragovernmental receipts. The receipts shown in the memorandum result from federal employer contributions financed by future appropriations; such receipts are not considered to be an offset to direct spending because they are contingent on future appropriation actions.

Off-budget changes in Direct Spending (Postal Service Fund)

CBO estimates that enacting H.R. 2748 would reduce net USPS spending by $23.6 billion over the 2014–2024 period; as noted above, USPS spending is classified as off-budget. Details of changes in spending from the Postal Service Fund are summarized in Table 2 and discussed in the following subsections.

TABLE 2.—DETAILS OF OFF-BUDGET CHANGES IN DIRECT SPENDING UNDER H.R. 2748

	By fiscal year, outlays in millions of dollars—										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2015–2024
Reduction in the Frequency of Mail Delivery	−1,200	−1,200	−1,200	−1,200	−1,150	−1,100	−1,050	−1,000	−950	−900	−10,950
Other Changes in Mail Delivery	−10	−80	−250	−470	−680	−900	−1,100	−1,300	−1,500	−1,800	−8,090
Limit Postal Contributions for Life and Health Insurance	0	0	0	0	0	−270	−374	−392	−411	−432	−1,880
Use of Postal-Specific Data for Retirement Benefits	−17	−17	−190	−191	−191	−192	−193	−194	−196	−197	−1,578
Alaska Mail Delivery	−5	−10	−15	−20	−20	−20	−20	−20	−20	−20	−170
Changes in USPS Payments for Retiree Health Benefits (See Memorandum for more detail.)	−1,621	−1,720	202	202	202	202	202	202	202	202	−1,728
Elimination of Annual Appropriations	75	75	75	75	75	75	75	75	75	75	750
Total Off-Budget Changes	−2,778	−2,952	−1,379	−1,604	−1,765	−2,206	−2,460	−2,630	−2,800	−3,072	−23,646
Memorandum: Details of Changes in USPS Payments for Retiree Health Benefits:											
Under Current Law											
Estimated Payments to FEHB	3,241	3,439	0	0	0	0	0	0	0	0	6,680
Specified Payments to PSRHBF [a]	0	0	0	0	0	0	0	0	0	0	0
Estimated Payments for Normal Costs [b,c]	0	0	2,458	2,574	2,679	2,819	2,991	3,174	3,364	3,566	23,625
Estimated Amortization Payments [c]	0	0	3,490	3,490	3,490	3,490	3,490	3,490	3,490	3,490	27,920
Total, Current Law	3,241	3,439	5,948	6,064	6,169	6,309	6,481	6,664	6,854	7,056	58,225
Under H.R. 2748:											
Estimated Payments to FEHB	0	0	0	0	0	0	0	0	0	0	0
Specified Payments to PSRHBF [a]	0	0	0	0	0	0	0	0	0	0	0
Estimated Payment for Normal Costs [d]	0	0	2,458	2,574	2,679	2,819	2,991	3,174	3,364	3,566	23,625
Estimated Amortization Payments [d]	0	0	3,893	3,893	3,893	3,893	3,893	3,893	3,893	3,893	31,144
Subtotal	0	0	6,351	6,467	6,572	6,712	6,884	7,067	7,257	7,459	54,769
Changes in Other USPS Spending	1,621	1,720	−202	−202	−202	−202	−202	−202	−202	−202	1,728
Total, H.R. 2748	1,621	1,720	6,150	6,266	6,371	6,511	6,683	6,866	7,056	7,258	56,497
Changes in Payments for Retiree Health Benefits	−1,621	−1,720	202	202	202	202	202	202	202	202	−1,728

Notes: Components may not add to totals because of rounding; USPS = United States Postal Service; FEHB = Federal Employees Health Benefits; PSRHBF = Postal Service Retiree Health Benefits Fund.

[a] Under current law, the Postal Service is required to pay a total of $17.2 billion to the PSRHBF in 2014 through 2016. However, CBO expects that the agency will not make any of those payments, so eliminating the requirement to make the payments would yield no savings.

[b] Those payments are equal to the annual increase in retiree health care liabilities attributable to current employees.

[c] Those costs are based on information provided by the Office of Personnel Management.

[d] H.R. 2748 would require the Postal Service to make normal and amortization payments in 2015 and 2016, but CBO expects the Postal Service would not make those payments.

Reduction in the Frequency of Mail Delivery. H.R. 2748 would authorize the Postal Service to deliver mail five days per week, as long as there are not more than two consecutive days without delivery. As a result, the Postal Service expects that it would eliminate mail delivery on most Saturdays but continue to deliver packages six days a week. The Postal Service estimates that this reduction in service would result in net savings of $1.5 billion annually, mostly in personnel and transportation costs. The agency assumes that most mail currently delivered on Saturdays could be delivered on Mondays with minimal increased costs.

The Postal Regulatory Commission (PRC) has not prepared an estimate of savings from this proposal. However, in 2011 the PRC estimated that reducing *both* mail and package delivery from six to five days per week would save $1.7 billion a year—compared to the USPS estimate of $3.1 billion in annual savings for that proposal—largely because it disagreed with the Postal Service's assumption that Saturday mail could be delivered on Mondays with minimal increased costs. In addition, earlier this year an independent firm estimated savings for ending Saturday delivery of mail (but not packages) that were roughly 50 percent lower than the USPS estimate of that proposal.[5]

Based on the current estimates prepared by USPS and considering the past disparity in estimates made by USPS and other entities, CBO estimates that reducing mail delivery from six to five days per week under H.R. 2748 would save about $1.2 billion annually beginning in fiscal year 2015. Beginning in 2019, we expect that annual savings would gradually decline as those funds would probably be spent by the Postal Service or returned to mailers in the form of lower rates rather than accumulating in surpluses in the Postal Service Fund. We estimate that net annual savings would fall to $900 million by 2024.

Other Changes in Mail Delivery. USPS delivers mail to the doors of customers, to curbside receptacles, and to centralized mail receptacles that serve multiple addresses. The bill would require the Postal Service, by the end of fiscal year 2022, to convert at least 30 million addresses with door delivery as of 2012 to curbside or centralized delivery. The legislation also would authorize the Postal Service to reimburse customers for the costs of converting from door delivery to other means.

In 2013, the Postal Service provided door delivery for about 38 million addresses and spent roughly $12 billion to provide this service. Upon enactment of H.R. 2748, the USPS expects that it would change the means of delivery for about 200,000 addresses in 2015 and for 1.5 million addresses annually in each subsequent year. Those actions would affect nearly 14 million addresses by the end of 2022—about half the number called for by the bill—but the Postal Service anticipates that a more-aggressive schedule of conversions would result in significant customer discontent and lower mail volumes. The agency also is concerned about the capacity of vendors to manufacture enough centralized mail receptacles to meet much higher demand.

[5] http://www.prc.gov/pre-docs/home/whatsnew/Swiss%20Economics%20Model%20-%20Saturday%20delivery%20Final%20Report%20V3X3545.pdf.

Based on information from the Postal Service about the relative savings per address from implementing curbside and centralized delivery as compared to door delivery, netted against costs to install and maintain curbside and centralized mail receptacles, CBO estimates that annual savings under H.R. 2748 would grow to nearly $2 billion by 2024 and would total roughly $8 billion over the 2015–2024 period. This estimate of savings assumes that mail would be delivered five days a week as authorized by the bill. If USPS converted more customers to curbside and centralized delivery, savings would be greater.

Limit Postal Contributions for Health and Life Insurance. Currently, the Postal Service pays 78.5 percent of the health insurance premiums and 100 percent of the life insurance premiums for most of its employees. H.R. 2748 would lower those employer contributions to about 70 percent for health insurance and 33 percent for life insurance. The lower contributions would begin on January 1, 2020.

In fiscal year 2013, the Postal Service paid $5 billion for health insurance premiums and $180 million for life insurance premiums for active employees. Based on those recent payments, CBO estimates that H.R. 2748 would reduce employer contributions by $540 million in 2020 and $3.8 billion over the 2020–2024 period. For this estimate, CBO anticipates that some individuals who face lower employer contributions would either leave the Federal Employees Health Benefits (FEHB) program or the federal life insurance program, or switch to lower-cost plans with those programs.

However, we anticipate that enacting this provision would lead the agency to cut expenses less aggressively than it otherwise would and thereby lead to an increase in other postal expenses. For example, the Postal Service has sharply curtailed its capital spending in recent years and could apply savings from the lower employer contributions to needed investments in facilities or other postal infrastructure. CBO estimates that net savings to the Postal Service would be about half of the potential gross savings—$270 million in 2020 and $1.9 billion over the 2020–2024 period.

Use of Postal-Specific Employee Data for Calculation of Retirement Benefits. H.R. 2748 would direct the Office of Personnel Management (OPM) to use economic and demographic factors (such as salary growth and retirement rates) specific to Postal Service employees, rather than government-wide data, to calculate the annual employer contribution that USPS is required to make to federal retirement accounts under the Federal Employees Retirement System (FERS) and the Civil Service Retirement System (CSRS).

For 2013, the Postal Service made nearly $2.9 billion in contributions to the Civil Service Retirement and Disability Fund (CSRDF) for FERS employees. The agency currently makes no contributions for CSRS employees; beginning in fiscal year 2017 under current law, the Postal Service will make annual payments amortized over 27 years to liquidate any unfunded liability as estimated by OPM for retirees' CSRS pension benefits. The unfunded liability is the total liability accrued to date for retirees' pension benefits minus the portion of the CSRDF attributable to Postal Service contributions.

Based on information from OPM, CBO estimates that enacting H.R. 2748 would lower the Postal Service's annual employer contribution to FERS by about $35 million beginning in 2015 and would lower the amortization payment the agency will make to the CSRDF beginning in 2017 by $344 million per year. Those reductions would occur because Postal Service employees tend to have lower salary increases and higher mortality rates (when retired) compared to the averages for all federal employees. As with some of the bill's other provisions, however, we anticipate that lowering retirement costs would lead the Postal Service to cut expenses less aggressively that it otherwise would and lead to an increase in other postal expenses. Thus, we estimate net savings to the Postal Service of nearly $1.6 billion over the 2015–2024 period (about half of the potential gross savings).

Alaska Mail Delivery. H.R. 2748 would direct the Postal Service to increase the rates that it charges for delivery of certain mail in Alaska (known as bypass mail). Based on information from the agency, CBO estimates that this provision would reduce USPS net outlays by $170 million over the 2015–2024 period.

Changes in Payments for Retiree Health Benefits. CBO estimates that the bill's provisions that would change payments relating to the PSRHBF would result in off-budget savings of $1.7 billion over the 2015–2024 period, as discussed below and shown in detail in the memorandum section of Table 2.

Background on Postal Service Obligations for Retiree Health Care. The Postal Service is obligated to contribute toward the health insurance premiums of its retired employees who participate in the FEHB program. Under current law, CBO expects that the agency will make direct payments for retirees' premiums to the on-budget FEHB fund for 2015 and 2016 totaling $6.7 billion. Over the same period, the Postal Service also is required to make statutorily specified payments to the on-budget PSRHBF to prefund future retiree health obligations. Because of the Postal Service's poor financial condition, however, it has not made these statutorily specified payments since 2010, and CBO expects that the agency will not make the remaining specified payments for 2015 and 2016.

Beginning in 2017, the PSRHBF is expected to start making payments to the FEHB program for the Postal Service's share of those premiums. Under current law, the Postal Service is required to make payments to the PSRHBF, starting in 2017, to cover the future health care liabilities accruing to current employees ("normal costs") and to liquidate the unfunded liability for retirees' health benefits ("amortization payments"). CBO estimates that prefunding payments for normal costs and amortization will sum to $51.5 billion over the 2017–2024 period.

Changes in USPS Payments for Retiree Health Benefits Under H.R. 2748. The bill would make several changes in the timing and source of funds for payments for retiree health benefits.

H.R. 2748 would:

- Eliminate the requirement for the USPS to make direct payments to the FEHB fund in 2015 and 2016 and would authorize PSRHBF payments for the agency's share of FEHB retiree premiums in 2015 and 2016 instead;

- Eliminate the requirement for the USPS to make specified payments to the PSRHBF for 2015 and 2016 to prefund retiree health benefits; and
- Require the USPS to begin making annual payments to the PSRHBF for normal and amortization costs in 2015 instead of beginning in 2017.

CBO estimates that eliminating the requirement to make direct payments to FEHB would reduce USPS spending on retiree health benefits by $6.7 billion over the 2015–2024 period. Under current law, the Postal Service is required to pay a total of $17.2 billion to the PSRHBF in 2014 through 2016. However, CBO expects that the agency will not make any of those payments, so eliminating the requirement to make the payments would yield no savings.

Because of the Postal Service's poor financial condition, CBO does not expect that the Postal Service would make the annual normal and amortization payments to the PSRHBF required by the bill in 2015 and 2016 (though we expect that such payments will occur under current law in subsequent years). As a result of the PSRHBF payments to FEHB in 2015 and 2016, the bill is expected to reduce the PSRHBF balance relative to current law and to increase the estimated unfunded liability for USPS retiree health benefits by the end of 2016. After amortizing the higher unfunded liability over a 40-year period, we expect that the Postal Service would be charged higher amortization payments over the 2017–2024 period. CBO estimates that USPS costs associated with those payments would increase from $27.9 billion to $31.1 billion, or $3.2 billion, over the 2017–2024 period.

Changes in Other USPS Spending. CBO expects that lowering health care expenses would lead the agency to modify its ongoing efforts under current law to reduce spending. In 2009, the Postal Service began cost-cutting actions including closing administrative offices, halting construction of new facilities, and freezing salaries for certain employees. More recently, the agency has implemented more-severe measures such as closing mail processing facilities, making major reductions in service, and either deferring or failing to make certain required payments to the Treasury.

CBO estimates that H.R. 2748 would lower net USPS costs by $3.5 billion over the 2015–2024 period (that includes a savings of $6.7 billion in 2015 and 2016 and costs of $3.2 billion in subsequent years). We expect that enacting legislation to lower health care expenses would lead the agency to alter its cost-reduction program by cutting spending less aggressively than it would without the legislation. We estimate that the net reduction in such USPS outlays over the 2015–2024 period would be about half of the potential gross savings in those years—about $1.7 billion.

Elimination of Annual Appropriations. H.R. 2748 would eliminate the annual appropriation to reimburse the Postal Service for delivery of free and reduced-rate mail, including mail for overseas voting and mail for the blind. Based on the amounts appropriated in recent years, CBO estimates that this provision would replace discretionary spending of $75 million per year with direct spending from the Postal Service Fund, beginning in fiscal year 2015, assuming that future appropriations for the Postal Service are reduced consistent with the provision. (Reductions in spending subject to appropriation are discussed below.)

On-budget changes in Direct Spending

CBO estimates that enacting H.R. 2748 would increase on-budget direct spending by about $6.6 billion over the 2015–2024 period. Those costs result from changes in the cash flows of the CSRDF, which reflects expenditures for civil service retirement benefits, and the PSRHBF, which reflects expenditures on health care benefits for USPS retirees, as shown in Table 3 and discussed below.

Changes in PSRHBF Spending. As discussed previously, the bill would change payments that the Postal Service makes for retiree health benefits, and CBO estimates that those changes would increase net on-budget direct spending by about $3.5 billion over the 2015–2024 period. Those costs result from changes in cash flows of the PSRHBF as displayed in the memorandum to Table 3. H.R. 2748 would not affect the net cash flows of the FEHB fund (although under the bill's provisions, the payments to this fund would be made out of the PSRHBF rather than the Postal Service Fund).

Under the bill, CBO estimates that the PSRHBF would pay the FEHB fund $3.2 billion in 2015 and $3.4 billion in 2016. CBO does not expect that the Postal Service will make any of the currently specified payments into the PSRHBF over the 2014–2016 period or that it would begin making payments to cover normal and amortization costs before 2017. Thus, we estimate that the bill's provisions to eliminate the specified payments and require normal and amortization payments in 2015 would have no effect on the PSRHBF over the 2015–2016 period. Beginning in 2017, however, we estimate that amortization payments to the PSRHBF would increase by $403 million annually because of the lower balance in that fund.

TABLE 3.—DETAILS OF ON-BUDGET CHANGES IN DIRECT SPENDING UNDER H.R. 2748

	By fiscal year, outlays in millions of dollars—										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2015–2024
Changes in PSRHBF Spending	3,241	3,439	−403	−403	−403	−403	−403	−403	−403	−403	3,456
Use of Postal-Specific Data for Retirement Benefits	35	35	380	381	383	384	386	389	391	394	3,157
Total Changes	3,276	3,474	−23	−22	−20	−19	−17	−14	−12	−9	6,613
Memorandum: PSRHBF Cash Flows:											
Under Current Law:											
Specified Payment from USPS [a]	0	0	0	0	0	0	0	0	0	0	0
Normal Payments	0	0	−2,458	−2,574	−2,679	−2,819	−2,991	−3,174	−3,364	−3,566	−23,625
Amortization Payments	0	0	−3,490	−3,490	−3,490	−3,490	−3,490	−3,490	−3,490	−3,490	−27,920
Total, Current Law	0	0	−5,948	−6,064	−6,169	−6,309	−6,481	−6,664	−6,854	−7,056	−51,545
Under H.R. 2748:											
FEHB Payment [b]	3,241	3,439	0	0	0	0	0	0	0	0	6,680
Normal Payments [c]	0	0	−2,458	−2,574	−2,679	−2,819	−2,991	−3,174	−3,364	−3,566	−23,625
Amortization Payments [c]	0	0	−3,893	−3,893	−3,893	−3,893	−3,893	−3,893	−3,893	−3,893	−31,144
Total, H.R. 2748	3,241	3,439	−6,351	−6,467	−6,572	−6,712	−6,884	−7,067	−7,257	−7,459	−48,089
Changes in PSRHBF Spending	3,241	3,439	−403	−403	−403	−403	−403	−403	−403	−403	3,456

Notes: Components may not add to totals because of rounding.

USPS = United States Postal Service; PSRHBF = Postal Service Retiree Health Benefits Fund; FEHB = Federal Employees Health Benefits.

[a] Under current law, the Postal Service is required to pay a total of $17.2 billion to the PSRHBF in 2014 through 2016. However, CBO expects that the agency will not make any of those payments, so eliminating the requirement to make the payments would yield no savings.

[b] Under current law, the FEHB payment would be made from the PSRHBF beginning in 2017, so H.R. 2748 would not affect cash flows over the 2017–2024 period.

[c] H.R. 2748 would require the Postal Service to make normal and amortization payments in 2015 and 2016, but CBO expects the Postal Service will not make those payments.

Use of Postal-Specific Employee Data for Calculations of Retirement Benefits. H.R. 2748 would direct OPM to use economic and demographic factors specific to Postal Service employees, rather than government-wide data, to calculate the annual employer contribution that USPS makes to federal retirement accounts under FERS and CSRS. Based on information from OPM, CBO estimates that the lower payments made by USPS under the bill would increase costs for the CSRDF by $35 million annually over the 2015–2016 period and by nearly $3.2 billion over the 2015–2024 period.

Other provisions that could affect Direct Spending

Transfers from Retirement Funds. For each year, H.R. 2748 would transfer to the PSRHBF any surplus in the USPS FERS account within the CSRDF, less any required contributions to FERS that the Postal Service has not made during that year. The amount transferred also would be reduced by the amount of any liability for USPS retirement contributions for employees enrolled in CSRS for that fiscal year. For these calculations, the bill would require OPM to use economic assumptions and demographic factors specific to Postal Service employees.

Based on information provided by OPM for 2013, CBO expects that the surplus for the FERS account ($2 billion to $3 billion) would be much less than the liability for the CSRS account (roughly $15 billion), so there would be no transfer of funds. Those estimates could vary in subsequent years, but CBO expects no transfers would occur over the 2015–2024 period.

Changes in Rates for Mail Services. The bill also would direct the Postal Service to set postage rates (within the annual cap on rate increases in current law) so that most types of mail products cover the costs attributable to them. In addition, H.R. 2748 would require the Postal Service to raise rates each year on those classes of mail with delivery costs that exceed revenues. Those increases would depend on the outcome of a study to be prepared by the PRC (probably in late 2015) concerning excess capacity within USPS.

In general, the Postal Service aims to set rates to maximize total mail revenue. CBO anticipates that the Postal Service will continue to attempt to maximize revenue while decreasing costs. (The PRC has already directed the Postal Service to increase the cost coverage for certain products.)

Other Provisions. Several other provisions of H.R. 2748 could help the Postal Service in its efforts to lower costs; however, CBO has not estimated additional savings for those provisions because it is not clear that any savings would exceed what we expect would be achieved under current law or under other provisions of the legislation.

H.R. 2748 would authorize the Postal Service to establish a program to allow advertising at USPS facilities and on USPS vehicles, and to establish a program to provide services for agencies of state governments or other government agencies for a fee. Implementing these programs would require the Postal Service to compete with the various media currently available to advertisers and to offer cost-effective alternatives for services to state or federal agencies. Those proposed programs might increase USPS revenues but also would add to costs. CBO has no information to predict the cost-effectiveness of such new ventures that may be undertaken by the Postal Service under the bill.

The bill also would direct arbitrators involved in future labor negotiations to consider the financial condition of the Postal Service when mediating disputes between USPS and its labor unions and would reform certain Postal Service contracting practices. Those provisions might reduce USPS costs, but CBO expects that any net savings probably would be indistinguishable from savings that would result from the Postal Service's current efforts to negotiate more favorable labor contracts and improve procurement practices.

In addition, H.R. 2748 would establish the Postal Service Financial Responsibility and Management Assistance Authority. That authority would be a new entity composed of five members appointed by the President that would advise and govern the Postal Service. CBO cannot judge whether the new management entity would be more successful in reducing the agency's costs than the existing USPS management structure.

Spending subject to appropriation

Under the provisions of H.R. 2748 that would require the use of postal-specific economic and demographic factors to calculate the employer contribution toward retirement that USPS makes on behalf of its employees, the amount of employer contributions required from most other federal agencies also would be adjusted. OPM estimates that the use of economic and demographic factors that exclude postal workers for calculating the contributions required of other agencies would raise the contribution rate paid by other federal agencies by 0.1 percent to 0.2 percent of salary. CBO projects that such an increase in contributions would increase spending subject to appropriation by about $6 billion over the 2015–2024 period. However, that cost would be offset by additional receipts by the Civil Service Retirement and Disability Trust Fund and would have no net effect on future deficits.

H.R. 2748 would authorize the appropriation of the necessary sums from the Postal Service Fund, up to $10 million annually, for the Postal Service Financial Responsibility and Management Assistance Authority that would be established by the bill. CBO estimates that entity would spend about $10 million annually, beginning in 2015, assuming appropriation of the authorized amounts.

H.R. 2748 also would eliminate the annual appropriation to reimburse the Postal Service for the delivery of free and reduced-rate mail, including overseas voting materials and mail for the blind. Based on the amounts appropriated in recent years, CBO estimates that this provision would save about $75 million per year, beginning in fiscal year 2015, assuming future appropriations for the Postal Service are reduced consistent with the bill's provision. However, we expect this discretionary cost would be shifted to the Postal Service Fund and become a mandatory (off-budget) expenditure.

On balance, combining the increase in discretionary costs for employer contributions with the costs for the new management authority and the savings for eliminating funding for free and reduced-rate mail would produce a net increase in discretionary costs of $5.2 billion over 10 years.

Pay-As-You-Go considerations: The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table. Only on-budget changes to outlays or revenues are subject to pay-as-you-go procedures.

CBO ESTIMATE OF PAY-AS-YOU-GO EFFECTS FOR H.R. 2748, THE POSTAL REFORM ACT OF 2013, AS ORDERED REPORTED BY THE HOUSE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM ON JULY 24, 2013

	By fiscal year, in millions of dollars—												
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2014–2019	2014–2024
	NET INCREASE OR DECREASE (−) IN THE ON-BUDGET DEFICIT												
Statutory Pay-As-You-Go Impact	0	3,276	3,474	−23	−22	−20	−19	−17	−14	−12	−9	6,684	6,613

Estimated impact on state, local, and tribal governments: H.R. 2748 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

Estimated impact on the private sector: H.R. 2748 would impose a private-sector mandate, as defined in UMRA, on national and state political committees by repealing their current discount on postal rates for third-class letters. Increasing the postal rates for those political committees would be a mandate because the federal government, by law, has an exclusive right to deliver letter mail through the USPS. Based on information from an affected committee and the USPS, CBO estimates that the cost to those mailers would be small and fall well below the annual threshold for private-sector mandates established in UMRA ($152 million in 2014, adjusted annually for inflation).

Estimate prepared by: Federal costs: Paul Masi—Health Care provisions; Amber Marcellino—Retirement; Mark Grabowicz—All other; Impact on state, local, and tribal governments: Elizabeth Cove Delisle; Impact on the private sector: Paige Piper/Bach.

Estimate approved by: Peter H. Fontaine, Assistant Director for Budget Analysis.

Changes in Existing Law Made by the Bill, as Reported

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 39, UNITED STATES CODE

* * * * * * *

PART I—GENERAL

CHAPTER 1—POSTAL POLICY AND DEFINITIONS

§ 101. Postal policy

(a) * * *

[(b) The Postal Service shall provide a maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining. No small post office shall be closed solely for operating at a deficit, it being the specific intent of the Congress that effective postal services be insured to residents of both urban and rural communities.]

(b) The Postal Service shall provide effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining.

(c) As an employer, the Postal Service shall achieve and maintain compensation for its officers and employees comparable to the *total* rates and types of compensation paid in the *entire* private sector of the economy of the United States. It shall place particular emphasis upon opportunities for career advancements of all officers and employees and the achievement of worthwhile and satisfying careers in the service of the United States.

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§ 102. Definitions

As used in this title—

(1) * * *

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(3) "Governors" means the ⟦9⟧ *5* members of the Board of Governors appointed by the President, by and with the advice and consent of the Senate, under section 202(a) of this title;

(4) "Inspector General" means the Inspector General appointed under ⟦section 202(e) of this title⟧ *section 3 of the Inspector General Act of 1978 (5 U.S.C. App.)*;

* * * * * * *

CHAPTER 2—ORGANIZATION

* * * * * * *

§ 202. Board of Governors

⟦(a)(1) The exercise of the power of the Postal Service shall be directed by a Board of Governors composed of 11 members appointed in accordance with this section. Nine of the members, to be known as Governors, shall be appointed by the President, by and with the advice and consent of the Senate, not more than 5 of whom may be adherents of the same political party. The Governors shall elect a Chairman from among the members of the Board. The Governors shall represent the public interest generally, and shall be chosen solely on the basis of their experience in the field of public service, law or accounting or on their demonstrated ability in managing organizations or corporations (in either the public or private sector) of substantial size; except that at least 4 of the Governors shall be chosen solely on the basis of their demonstrated ability in managing organizations or corporations (in either the public or private sector) that employ at least 50,000 employees. The Governors shall not be representatives of specific interests using the Postal Service, and may be removed only for cause. Each Governor shall receive a salary of $30,000 a year plus $300 a day for not more than 42 days of meetings each year and shall be reimbursed for travel and reasonable expenses incurred in attending meetings of the Board. Nothing in the preceding sentence shall be construed to limit the number of days of meetings each year to 42 days.

⟦(2) In selecting the individuals described in paragraph (1) for nomination for appointment to the position of Governor, the President should consult with the Speaker of the House of Representatives, the minority leader of the House of Representatives, the majority leader of the Senate, and the minority leader of the Senate.

⟦(b)(1) The terms of the 9 Governors shall be 7 years, except that the terms of the 9 Governors first taking office shall expire as designated by the President at the time of appointment, 1 at the end of 1 year, 1 at the end of 2 years, 1 at the end of 3 years, 1 at the end of 4 years, 1 at the end of 5 years, 1 at the end of 6 years, 1 at the end of 7 years, 1 at the end of 8 years, and 1 at the end of 9 years, following the appointment of the first of them. Any Governor appointed to fill a vacancy before the expiration of the term for which his predecessor was appointed shall serve for the remainder of such term. A Governor may continue to serve after the expiration of his term until his successor has qualified, but not to exceed one year.

⟦(2) No person may serve more than 2 terms as a Governor.

⟦(c) The Governors shall appoint and shall have the power to remove the Postmaster General, who shall be a voting member of the Board. His pay and term of service shall be fixed by the Governors.

⟦(d) The Governors and the Postmaster General shall appoint and shall have the power to remove the Deputy Postmaster General, who shall be a voting member of the Board. His term of service shall be fixed by the Governors and the Postmaster General and his pay by the Governors.⟧

(a)(1) The exercise of the power of the Postal Service shall be directed by a Board of Governors composed of 5 members appointed in accordance with this section. The members, to be known as Governors, shall be appointed by the President, by and with the advice and consent of the Senate. Not more than 3 of the Governors may be adherents of the same political party. The Governors shall elect a Chairman from among the individual Governors. The Governors shall represent the public interest generally, and shall be chosen solely on the basis of their experience in the field of public administration, law, or accounting, or on their demonstrated ability in managing organizations or corporations (in either the public or private sector) of substantial size; except that at least 3 of the Governors shall be chosen solely on the basis of their demonstrated ability in managing organizations or corporations (in either the public or private sector) that employ at least 10,000 employees. The Governors shall not be representatives of specific interests using the Postal Service, and may be removed only for cause. Each Governor shall receive a salary of $30,000 a year plus $300 a day for not more than 42 days of meetings each year and shall be reimbursed for travel and reasonable expenses incurred in attending meetings of the Board. Nothing in the preceding sentence shall be construed to limit the number of days of meetings each year to 42 days.

(2) In selecting the individuals described in paragraph (1) for nomination for appointment to the position of Governor, the President should consult with the Speaker of the House of Representatives, the minority leader of the House of Representatives, the majority leader of the Senate, and the minority leader of the Senate.

(3) Not later than 60 days after the end of each fiscal year, the Board of Governors shall submit an itemized report describing all travel and reimbursable business travel expenses paid to each Governor when performing Board duties to the Committee on Oversight

and Government Reform of the House of Representatives and the Committee on Homeland Security and Governmental Affairs of the Senate. The report submitted under this paragraph shall include a detailed justification for any travel or reimbursable business travel expense that deviates from the Board's travel and reimbursable business travel expense policies and guidelines under paragraph (1).

(b)(1) The terms of the 5 Governors shall be 7 years, except that—

(A) upon the reconstitution of the Board of Governors pursuant to the Postal Reform Act of 2013—

(i) the 5 members last comprising the Postal Service Financial Responsibility and Management Assistance Authority before the termination of the control period (as defined in section 202(b)(1) of the Postal Reform Act of 2013) shall become the initial members of the reconstituted Board of Governors; and

(ii) the term of each of the 5 respective individuals under clause (i) shall expire at the end of the term which would have applied with respect to that individual, if—

(I) the control period (as so defined) had not terminated; and

(II) such individual had remained a member of the Postal Service Financial Responsibility and Management Assistance Authority; and

(B) the terms of the Governors first taking office after the initial Governors of the reconstituted Board (as described in subparagraph (A)) shall be as fixed by the President at the time of their appointment, except that each such term—

(i) shall be for a period of years not less than 3 years and not more than 7 years; and

(ii) shall be fixed such that the term of not more than 1 Governor is thereafter scheduled to expire in any calendar year (determined disregarding the term of an initial Governor expiring as described in subparagraph (A)(ii)).

(2) Any Governor appointed to fill a vacancy before the expiration of the term for which his predecessor was appointed shall serve for the remainder of such term. A Governor may continue to serve after the expiration of his term until his successor has qualified, but not to exceed 1 year.

(3) No person may serve more than 14 years as a Governor. For purposes of the preceding sentence, there shall be taken into account any period served as a member of—

(A) the Postal Service Financial Responsibility and Management Assistance Authority; or

(B) the Board of Governors, as constituted before the start of the control period.

(c) The Governors shall appoint and shall have the power to remove the Postmaster General. His pay and term of service shall be fixed by the Governors.

(d) The Governors shall appoint and shall have the power to remove the Deputy Postmaster General. His term of service shall be fixed by the Governors and the Postmaster General and his pay by the Governors.

* * * * * * *

§ 205. Procedures of the Board of Governors

(a) * * *

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(c) The Board shall act upon majority vote of those members who are present, and ⟦any 6 members present shall constitute a quorum for the transaction of business by the Board, except—

⟦(1) that in the appointment or removal of the Postmaster General, and in setting the compensation of the Postmaster General and Deputy Postmaster General, a favorable vote of an absolute majority of the Governors in office shall be required;

⟦(2) that in the appointment or removal of the Deputy Postmaster General, a favorable vote of an absolute majority of the Governors in office and the member serving as Postmaster General shall be required; and

⟦(3) as otherwise provided in this title.⟧ *an absolute majority of the Governors in office shall constitute a quorum for the transaction of business by the Board.*

* * * * * * *

SEC. 209. USPS INNOVATION OFFICER AND ACCOUNTABILITY.

(a) IN GENERAL.—There shall be in the Postal Service a Chief Innovation Officer selected by the Postmaster General who shall have proven expertise and a record of success in 1 or more of the following: postal and shipping industry, innovation product research and development, marketing brand strategy, emerging communications technology, or business process management. The Chief Innovation Officer shall manage the Postal Service's development and implementation of innovative postal and nonpostal products and services.

(b) DUTIES.—The Chief Innovation Officer shall have as primary duties—

(1) leading the development of innovative nonpostal products and services that will maximize revenue to the Postal Service;

(2) developing innovative postal products and services, particularly those that utilize emerging information technologies, to maximize revenue to the Postal Service;

(3) monitoring the performance of innovative products and services and revising them as needed to meet changing market trends; and

(4) taking into consideration comments or advisory opinions, if applicable, issued by the Postal Regulatory Committee prior to the initial sale of innovative postal or nonpostal products and services.

(c) DESIGNATION.—

(1) DEADLINE.—As soon as practicable after the date of enactment of this section, but no later than January 1, 2014, the Postmaster General shall designate a Chief Innovation Officer.

(2) CONDITION.—Nothing in this section shall be construed to prohibit an individual who holds another office or position in the Postal Service from serving as the Chief Innovation Officer under this chapter. However, upon appointment to the position of the Chief Innovation Officer, such individual may not, while

serving in such office, concurrently hold any other office or position in the Postal Service.

(d) INNOVATION STRATEGY.—

(1) IN GENERAL.—Not later than 12 months after the date on which the Chief Innovation Officer is designated under subsection (c)(1), the Postmaster General shall submit to the Committee on Homeland Security and Governmental Affairs of the Senate and the Committee on Oversight and Government Reform of the House of Representatives a comprehensive strategy for maximizing revenues through innovative postal and nonpostal products and services.

(2) MATTERS TO BE ADDRESSED.—At a minimum, the strategy required by this section shall address—

(A) the specific innovative postal and nonpostal products and services to be developed and offered by the Postal Service, including the nature of the market to be filled by each product and service and the likely date by which each product and service will be introduced;

(B) the cost of developing and offering each product or service;

(C) the anticipated sales volume of each product and service;

(D) the anticipated revenues and profits expected to be generated by each product and service;

(E) the likelihood of success of each innovative product and service as well as the risks associated with the development and sale of each innovative product and service;

(F) the trends anticipated in market conditions that may affect the success of each product and service over the 5-year period beginning on the date such strategy or update is submitted;

(G) the metrics that will be utilized to assess the effectiveness of the innovation strategy; and

(H) the specific methods by which mailpiece design analysis may be improved to speed the approval process and promote the increased use of innovative mailpiece design.

(3) STRATEGY UPDATES.—On January 1, 2018, and every 3 years thereafter, the Chief Innovation Officer shall submit an update to the innovation strategy submitted under paragraph (1) to the Committee on Homeland Security and Governmental Affairs of the Senate, the Committee on Oversight and Government Reform of the House of Representatives, and the Postal Regulatory Commission.

(e) REPORT ON PERFORMANCE.—

(1) IN GENERAL.—The Postmaster General shall submit to the Committee on Homeland Security and Governmental Affairs of the Senate, the Committee on Oversight and Government Reform of the House of Representatives, and the Postal Regulatory Commission with the President's budget submission under section 1105(a) of title 31 a report that details the Postal Service's progress in implementing the innovation strategy.

(2) MATTERS TO BE ADDRESSED.—At a minimum, the report required by this section shall address—

(A) the revenue generated by each product and service developed through the innovation strategy and the costs of de-

veloping and offering each such product and service for the most recent fiscal year;

(B) the total sales volume and revenue generated by each product and service on a monthly basis for the preceding year;

(C) trends in the markets filled by each product and service;

(D) products and services identified in the innovation strategy that are to be discontinued, the date on which the discontinuance will occur, and the reasons for the discontinuance;

(E) alterations in products and services identified in the innovation strategy that will be made to meet changing market conditions, and an explanation of how these alterations will ensure the success of the products and services; and

(F) the performance of the innovation strategy according to the metrics identified in subsection (d)(2)(G).

(f) COMPTROLLER GENERAL.—

(1) IN GENERAL.—The Comptroller General shall conduct a study on the implementation of the innovation strategy not later than 4 years after the date of enactment of this section.

(2) CONTENTS.—At a minimum, the Comptroller General shall assess the effectiveness of the Postal Service in identifying, developing, and selling innovative postal and nonpostal products and services. The study shall also include—

(A) an audit of the costs of developing each innovative postal and nonpostal product and service developed or offered by the Postal Service during the period beginning on the date of enactment of this section and ending 4 years after such date;

(B) the sales volume of each such product and service;

(C) the revenues and profits generated by each such product and service; and

(D) the likelihood of continued success of each such product and service.

(3) SUBMISSION.—The results of the study required under this subsection shall be submitted to the Committee on Homeland Security and Governmental Affairs of the Senate and the Committee on Oversight and Government Reform of the House of Representatives.

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CHAPTER 4—GENERAL AUTHORITY

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§ 403. General duties

(a) * * *

(b) It shall be the responsibility of the Postal Service—

(1) * * *

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[(3) to establish and maintain postal facilities of such character and in such locations, that postal patrons throughout the

Nation will, consistent with reasonable economies of postal operations, have ready access to essential postal services.]

(3) to ensure that postal patrons throughout the Nation will, consistent with reasonable economies of postal operations, have ready access to essential postal services.

* * * * * * *

§ 404. Specific powers

(a) * * *

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(d)[(1) The Postal Service, prior to making a determination under subsection (a)(3) of this section as to the necessity for the closing or consolidation of any post office, shall provide adequate notice of its intention to close or consolidate such post office at least 60 days prior to the proposed date of such closing or consolidation to persons served by such post office to ensure that such persons will have an opportunity to present their views.] *(1) The Postal Service, prior to making a determination under subsection (a)(3) as to the necessity for the closing or consolidation of any post office, shall—*

(A) provide adequate notice of its intention to close or consolidate such post office at least 60 days prior to the proposed date of such closing or consolidation to postal patrons served by such post office;

(B) conduct a nonbinding survey on the proposed closing or consolidation to allow postal patrons served by such post office an opportunity to indicate their preference between or among—

(i) the closing or consolidation; and

(ii) 1 or more alternative options; and

(C) ensure that—

(i) should the closure or consolidation of a postal retail facility be deemed necessary, it shall be the policy of the Postal Service to provide alternative access to postal services to those served by the postal retail facility by the option chosen by the highest number of survey respondents under subparagraph (B)(ii); and

(ii) if the Postal Service is unable to provide alternative access through the option identified in clause (i), or if that option is cost prohibitive, the Postal Service may provide alternative access through a different means. Upon selection of an alternative access method other than the one identified by clause (i), the Postal Service must provide written notice to those patrons served by the postal retail facility identifying and explaining why the option identified by clause (i) was not possible or cost prohibitive.

(2) The Postal Service, in making a determination whether or not to close or consolidate a post office—

(A) shall consider—

[(i) the effect of such closing or consolidation on the community served by such post office;]

(i) the effect of such closing or consolidation on the community served by such post office, including through an analysis of such factors as—

(I) the distance (as measured by public roads) to the closest postal retail facility not proposed for closure or consolidation under such plan;

(II) the characteristics of such location, including weather and terrain;

(III) whether commercial mobile service (as defined in section 332 of the Communications Act of 1934) and commercial mobile data service (as defined in section 6001 of the Middle Class Tax Relief and Job Creation Act of 2012) are available in at least 80 percent of the total geographic area of the ZIP codes served by the postal retail facility proposed for closure or consolidation; and

(IV) whether fixed broadband Internet access service is available to households in at least 80 percent of such geographic area at speeds not less than those sufficient for service to be considered broadband for purposes of the most recent report of the Federal Communications Commission under section 706 of the Telecommunications Act of 1996;

* * * * * * *

【(iii) whether such closing or consolidation is consistent with the policy of the Government, as stated in section 101(b) of this title, that the Postal Service shall provide a maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining;】

(iii) whether such closing or consolidation is consistent with the policy of the Government, as stated in section 101(b), that the Postal Service shall provide effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining;

* * * * * * *

(5) A determination of the Postal Service to close or consolidate any post office may be appealed by any person served by such office to the Postal Regulatory Commission within 30 days after such determination is made available to such person under paragraph (3). The Commission shall review such determination on the basis of the record before the Postal Service in the making of such determination. The Commission shall make a determination based upon such review no later than 【120 days】 *60 days* after receiving any appeal under this paragraph. The Commission shall set aside any determination, findings, and conclusions found to be—

(A) * * *

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(7)(A) The appeals process set forth in paragraph (5) shall not apply to a determination of the Postal Service to close a post office if there is located, within 2 miles of such post office, a qualified contract postal unit.

(B) For purposes of this paragraph—

(i) the term "contract postal unit" means a store or other place of business which—

(I) is not owned or operated by the Postal Service; and

(II) in addition to its usual operations, provides postal services to the general public under contract with the Postal Service; and

(ii) the term "qualified contract postal unit", as used in connection with a post office, means a contract postal unit which—

(I) begins to provide postal services to the general public during the period—

(aa) beginning 1 year before the date on which the closure or consolidation of such post office is scheduled to take effect; and

(bb) ending on the 15th day after the date on which the closure or consolidation of such post office is scheduled to take effect; and

(II) has not, pursuant to subparagraph (A), served as the basis for exempting any other post office from the appeals process set forth in paragraph (5).

(C)(i) If the qualified contract postal unit does not continue to provide postal services, as required by subparagraph (B)(i)(II), for at least the 2-year period beginning on the date on which such post office was closed or, if later, the date on which such unit began providing postal services to the general public, the contract postal unit shall be subject to a closure determination by the Postal Service to decide whether a post office must be reopened within the area (delimited by the 2-mile radius referred to in subparagraph (A)).

(ii) A decision under clause (i) not to reopen a post office may be appealed to the Postal Regulatory Commission under procedures which the Commission shall by regulation prescribe. Such procedures shall be based on paragraph (5), except that, for purposes of this clause, paragraph (5)(C) shall be applied by substituting "in violation of section 101(b), leaving postal patrons without effective and regular access to postal services" for "unsupported by substantial evidence on the record".

(8) For purposes of this subsection, the term "post office" means a post office and any other facility described in section 2(2) of the Postal Reform Act of 2013.

(e)(1) * * *

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(6) Licensing which, before the date of enactment of this paragraph, has been authorized by the Postal Regulatory Commission for continuation as a nonpostal service may not be used for any purpose other than—

(A) to continue to provide licensed mailing and shipping supplies offered as of June 23, 2011; or

(B) to license other goods, products, or services, the primary purpose of which is to promote and enhance the image or brand of the Postal Service.

(7) Nothing in this section shall be considered to prevent the Postal Service from establishing nonpostal products and services that are expressly authorized by chapter 37.

(f)(1) The Postal Service may establish a general, nationwide mail delivery schedule of 5 days per week.

(2) The Postal Service shall ensure that under any schedule established under paragraph (1), there shall not occur more than 2 consecutive days on which mail is not delivered, including as a result of Federal holidays.

(3) For a period not to end before December 31, 2018, the Postal Service shall provide domestic competitive product service 6 days per week to each street address that was scheduled to receive package service 6 days per week as of September 30, 2012.

(4) Nothing in this section shall be construed to authorize a reduction, or to require an increase, in frequency of mail delivery for any address for which the Postal Service provided delivery on fewer than 6 days per week as of January 1, 2013.

* * * * * * *

§ 404a. Specific limitations

(a) Except as specifically authorized by law, the Postal Service may not—

(1) * * *

(2) compel the disclosure, transfer, or licensing of intellectual property to any third party (such as patents, copyrights, trademarks, trade secrets, and proprietary information); **[**or**]**

(3) obtain information from a person that provides (or seeks to provide) any product, and then offer any postal service that uses or is based in whole or in part on such information, without the consent of the person providing that information, unless substantially the same information is obtained (or obtainable) from an independent source or is otherwise obtained (or obtainable)**[**.**]***;*

(4) close, consolidate, or suspend the operations of more than 5-percent of the number of currently operating postal retail facilities on January 1, of each year that were within the K or L cost ascertainment grouping on January 1, 2012, excluding any postal retail facility scheduled for closure and ineligible for appeal due to section 404(d)(7)(A) shall not count toward the 5 percent limitation; or

(5) offer to the public any postage-evidencing product or service that does not comply with any rule or regulation that would be applicable to such product or service if the product or service were offered by a private company.

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§ 409. Suits by and against the Postal Service

(a) * * *

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(f)(1) * * *

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(7) The provisions of this section shall not apply to any outdoor advertising structure or sign constructed, installed, operated, or maintained on a facility or asset owned or operated by the Postal Service except in a jurisdiction in which posting of off premise advertising signs for all persons, entities, governmental agencies, and others is prohibited by law.

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§ 411. Cooperation with other Government agencies

Executive agencies within the meaning of section 105 of title 5 and the Government Printing Office are authorized to furnish property, both real and personal, and personal and nonpersonal services to the Postal Service, and the Postal Service is authorized to furnish property and services to them. The furnishing of property and services under this section shall be under such terms and conditions, [including reimbursability] *including reimbursability within the limitations of chapter 37*, as the Postal Service and the head of the agency concerned shall deem appropriate.

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CHAPTER 5—POSTAL REGULATORY COMMISSION

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§ 504. Administration

(a) * * *

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[(d)] *(d)(1)* There are authorized to be appropriated, out of the Postal Service Fund, such sums as may be necessary for the Postal Regulatory Commission. In requesting an appropriation under this subsection for a fiscal year, the Commission shall prepare and submit to the Congress under section 2009 a budget of the Commission's expenses, including expenses for facilities, supplies, compensation, and employee benefits.

(2) Not later than 60 days after the end of each fiscal year, the Postal Regulatory Commissioners shall submit an itemized report describing all travel and reimbursable business travel expenses paid to each Commissioner, including the Chairman, when performing regulatory duties to the Committee on Oversight and Government Reform of the House of Representatives and the Committee on Homeland Security and Governmental Affairs of the Senate. The report submitted under this paragraph shall include a detailed justification for any travel or reimbursable business travel expense that deviates from the Commission's travel and reimbursable business travel expense policies and guidelines.

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§ 506. Submissions by the Postal Service to the Postal Regulatory Commission

Whenever the Postal Service submits to the Postal Regulatory Commission any notice, petition, request, or other filing intended to initiate a new proceeding before the Commission, the Commission shall make an initial determination that such filing presents adequate information upon which the Commission may make its decision or advisory opinion. If the Commission's initial determination *is that the Postal Service's filing is inadequate, it shall dismiss the filing without prejudice.*

* * * * * * *

CHAPTER 7—CONTRACTING PROVISIONS

Sec.

§ 701. Definitions

In this chapter—

(1) the term "contracting officer" means an employee of a covered postal entity who has authority to enter into a postal contract;

(2) the term "covered postal entity" means—

(A) the Postal Service; or

(B) the Postal Regulatory Commission;

(3) the term "head of a covered postal entity" means—

(A) in the case of the Postal Service, the Postmaster General; or

(B) in the case of the Postal Regulatory Commission, the Chairman of the Postal Regulatory Commission;

(4) the term "postal contract" means—

(A) in the case of the Postal Service, any contract (including any agreement or memorandum of understanding) entered into by the Postal Service for the procurement of goods or services; or

(B) in the case of the Postal Regulatory Commission, any contract (including any agreement or memorandum of understanding) in an amount exceeding the simplified acquisition threshold (as defined in section 134 of title 41 and adjusted under section 1908 of such title) entered into by the Postal Regulatory Commission for the procurement of goods or services; and

(5) the term "senior procurement executive" means the senior procurement executive of a covered postal entity.

§ 702. Advocate for competition

(a) ESTABLISHMENT AND DESIGNATION.—

(1) There is established in each covered postal entity an advocate for competition.

(2) The head of each covered postal entity shall designate for the covered postal entity 1 or more officers or employees (other than the senior procurement executive) to serve as the advocate for competition.

(b) RESPONSIBILITIES.—The advocate for competition of a covered postal entity shall—

(1) be responsible for promoting—

(A) the contracting out of functions of the covered postal entity that the private sector can perform equally well or better, and at lower cost; and

(B) competition to the maximum extent practicable consistent with obtaining best value by promoting the acquisition of commercial items and challenging barriers to competition;

(2) review the procurement activities of the covered postal entity; and

(3) prepare and transmit the annual report required under subsection (c).

(c) ANNUAL REPORT.—

(1) PREPARATION.—The advocate for competition of a covered postal entity shall prepare an annual report describing the following:

(A) The activities of the advocate under this section.

(B) Initiatives required to promote contracting out and competition.

(C) Barriers to contracting out and competition.

(D) In the case of the report prepared by the competition advocate of the Postal Service, the number of waivers made by the Postal Service under section 704(c).

(2) TRANSMISSION.—The report under this subsection shall be transmitted—

(A) to Congress;

(B) to the head of the postal entity;

(C) to the senior procurement executive of the entity;

(D) in the case of the competition advocate of the Postal Service, to each member of the Postal Service Board of Governors; and

(E) in the case of the competition advocate of the Postal Regulatory Commission, to each of the Commissioners of the Commission.

§ 703. Delegation of contracting authority

(a) IN GENERAL.—

(1) POLICY.—Not later than 60 days after the date of enactment of this chapter, the head of each covered postal entity shall issue a policy on contracting officer delegations of authority for postal contracts for the covered postal entity.

(2) CONTENTS.—The policy issued under paragraph (1) shall require that—

(A) notwithstanding any delegation of authority with respect to postal contracts, the ultimate responsibility and accountability for the award and administration of postal contracts resides with the senior procurement executive; and

(B) a contracting officer shall maintain an awareness of and engagement in the activities being performed on postal contracts of which that officer has cognizance, notwithstanding any delegation of authority that may have been executed.

(b) POSTING OF DELEGATIONS.—

(1) IN GENERAL.—The head of each covered postal entity shall make any delegation of authority for postal contracts outside the functional contracting unit readily available and accessible on the Web site of the covered postal entity.

(2) EFFECTIVE DATE.—This paragraph shall apply to any delegation of authority made on or after 30 days after the date of enactment of this chapter.

§ 704. Posting of noncompetitive purchase requests for noncompetitive contracts

(a) POSTING REQUIRED.—

(1) POSTAL REGULATORY COMMISSION.—The Postal Regulatory Commission shall make the noncompetitive purchase request for any noncompetitive award for any contract (including any agreement or memorandum of understanding) entered into by the Postal Regulatory Commission for the procurement of goods and services, in an amount of $20,000 or more, including the rationale supporting the noncompetitive award, publicly available on the Web site of the Postal Regulatory Commission—

(A) not later than 14 days after the date of the award of the noncompetitive contract; or

(B) not later than 30 days after the date of the award of the noncompetitive contract, if the basis for the award was a compelling business interest.

(2) POSTAL SERVICE.—The Postal Service shall make the noncompetitive purchase request for any noncompetitive award of a postal contract in an amount of $250,000 or more, including the rationale supporting the noncompetitive award, publicly available on the Web site of the Postal Service—

(A) not later than 14 days after the date of the award; or

(B) not later than 30 days after the date of the award, if the basis for the award was a compelling business interest.

(3) ADJUSTMENTS TO THE POSTING THRESHOLD FOR THE POSTAL SERVICE.—

(A) REVIEW AND DETERMINATION.—Not later than January 31 of each year, the Postal Service shall—

(i) review the $250,000 threshold established under paragraph (2); and

(ii) based on any change in the Consumer Price Index for All Urban Consumers of the Department of Labor, determine whether an adjustment to the threshold shall be made.

(B) AMOUNT OF ADJUSTMENTS.—An adjustment under subparagraph (A) shall be made in increments of $5,000. If the Postal Service determines that a change in the Consumer Price Index for a year would require an adjustment in an amount that is less than $5,000, the Postal Service may not make an adjustment to the threshold for the year.

(4) EFFECTIVE DATE.—This subsection shall apply to any noncompetitive contract awarded on or after the date that is 90 days after the date of enactment of this chapter.

(b) PUBLIC AVAILABILITY.—

(1) IN GENERAL.—Subject to paragraph (2), the information required to be made publicly available by a covered postal entity under subsection (a) shall be readily accessible on the Web site of the covered postal entity.

(2) PROTECTION OF PROPRIETARY INFORMATION.—A covered postal entity shall—

(A) carefully screen any description of the rationale supporting a noncompetitive award required to be made publicly available under subsection (a) to determine whether the description includes proprietary data (including any reference or citation to the proprietary data) or security-related information; and

(B) remove any proprietary data or security-related information before making publicly available a description of the rationale supporting a noncompetitive award.

(c) WAIVERS.—

(1) WAIVER PERMITTED.—If the Postal Service determines that making a noncompetitive purchase request for a postal contract of the Postal Service publicly available would risk placing the Postal Service at a competitive disadvantage relative to a private sector competitor, the senior procurement executive, in consultation with the advocate for competition of the Postal Service, may waive the requirements under subsection (a).

(2) FORM AND CONTENT OF WAIVER.—

(A) FORM.—A waiver under paragraph (1) shall be in the form of a written determination placed in the file of the contract to which the noncompetitive purchase request relates.

(B) CONTENT.—A waiver under paragraph (1) shall include—

(i) a description of the risk associated with making the noncompetitive purchase request publicly available; and

(ii) a statement that redaction of sensitive information in the noncompetitive purchase request would not be sufficient to protect the Postal Service from being placed at a competitive disadvantage relative to a private sector competitor.

(3) DELEGATION OF WAIVER AUTHORITY.—The Postal Service may not delegate the authority to approve a waiver under paragraph (1) to any employee having less authority than the senior procurement executive.

§705. Review of ethical issues

If a contracting officer identifies any ethical issues relating to a proposed contract and submits those issues and that proposed contract to the designated ethics official for the covered postal entity before the awarding of that contract, that ethics official shall—

(1) review the proposed contract; and

(2) advise the contracting officer on the appropriate resolution of ethical issues.

§706. Ethical restrictions on participation in certain contracting activity

(a) DEFINITIONS.—In this section—

(1) the term "covered employee" means—

(A) a contracting officer; or

(B) any employee of a covered postal entity whose decisionmaking affects a postal contract as determined by regulations prescribed by the head of a covered postal entity;

(2) the term "final conviction" means a conviction, whether entered on a verdict or plea, including a plea of nolo contendere, for which a sentence has been imposed; and

(3) the term "covered relationship" means a covered relationship described in section 2635.502(b)(1) of title 5, Code of Federal Regulations, or any successor thereto.

(b) IN GENERAL.—

(1) REGULATIONS.—The head of each covered postal entity shall prescribe regulations that—

(A) require a covered employee to include in the file of any noncompetitive purchase request for a noncompetitive postal contract a written certification that—

(i) discloses any covered relationship of the covered employee; and

(ii) states that the covered employee will not take any action with respect to the noncompetitive purchase request that affects the financial interests of a friend, relative, or person with whom the covered employee is affiliated in a nongovernmental capacity, or otherwise gives rise to an appearance of the use of public office for private gain, as described in section 2635.702 of title 5, Code of Federal Regulations, or any successor thereto;

(B) require a contracting officer to consult with the ethics counsel for the covered postal entity regarding any disclosure made by a covered employee under subparagraph (A)(i), to determine whether participation by the covered employee in the noncompetitive purchase request would give rise to a violation of part 2635 of title 5, Code of Federal Regulations (commonly referred to as the Standards of Ethical Conduct for Employees of the Executive Branch), or any successor thereto;

(C) require the ethics counsel for a covered postal entity to review any disclosure made by a contracting officer under subparagraph (A)(i) to determine whether participation by the contracting officer in the noncompetitive purchase request would give rise to a violation of part 2635 of title 5, Code of Federal Regulations (commonly referred to as the Standards of Ethical Conduct for Employees of the Executive Branch), or any successor thereto;

(D) under subsections (d) and (e) of section 2635.502 of title 5, Code of Federal Regulations, or any successor thereto, require the ethics counsel for a covered postal entity to—

(i) authorize a covered employee that makes a disclosure under subparagraph (A)(i) to participate in the noncompetitive postal contract; or

(ii) disqualify a covered employee that makes a disclosure under subparagraph (A)(i) from participating in the noncompetitive postal contract;

(E) require a contractor to timely disclose to the contracting officer in a bid, solicitation, award, or performance

of a postal contract any conflict of interest with a covered employee; and

(F) include authority for the head of the covered postal entity to grant a waiver or otherwise mitigate any organizational or personal conflict of interest, if the head of the covered postal entity determines that the waiver or mitigation is in the best interests of the covered postal entity.

(2) POSTING OF WAIVERS.—Not later than 30 days after the head of a covered postal entity grants a waiver described in paragraph (1)(F), the head of the covered postal entity shall make the waiver publicly available on the Web site of the covered postal entity.

(c) CONTRACT VOIDANCE AND RECOVERY.—

(1) UNLAWFUL CONDUCT.—In any case in which there is a final conviction for a violation of any provision of chapter 11 of title 18 relating to a postal contract, the head of a covered postal entity may—

(A) void that contract; and

(B) recover the amounts expended and property transferred by the covered postal entity under that contract.

(2) OBTAINING OR DISCLOSING PROCUREMENT INFORMATION.—

(A) IN GENERAL.—In any case in which a contractor under a postal contract fails to timely disclose a conflict of interest to the appropriate contracting officer as required under the regulations promulgated under subsection (b)(1)(E), the head of a covered postal entity may—

(i) void that contract; and

(ii) recover the amounts expended and property transferred by the covered postal entity under that contract.

(B) CONVICTION OR ADMINISTRATIVE DETERMINATION.—A case described under subparagraph (A) is any case in which—

(i) there is a final conviction for an offense punishable under section 2105 of title 41; or

(ii) the head of a covered postal entity determines, based upon a preponderance of the evidence, that the contractor or someone acting for the contractor has engaged in conduct constituting an offense punishable under section 2105 of such title.

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PART II—PERSONNEL

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CHAPTER 10—EMPLOYMENT WITHIN THE POSTAL SERVICE

§ 1001. Appointment and status

(a) * * *

(b) Officers and employees of the Postal Service (other than those individuals appointed under sections 202, 204, and 1001(c) of this title *and section 3 of the Inspector General Act of 1978 (5 U.S.C. App.)*) shall be in the postal career service, which shall be a part of the civil service. Such appointments and promotions shall be in accordance with the procedures established by the Postal Service. The Postal Service shall establish procedures, in accordance with this title, to assure its officers and employees meaningful opportunities for promotion and career development and to assure its officers and employees full protection of their employment rights by guaranteeing them an opportunity for a fair hearing on adverse actions, with representatives of their own choosing.

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§ 1003. Employment policy

(a) Except as provided under chapters 2 and 12 of this title, section ⟦8G⟧ *8M* of the Inspector General Act of 1978, or other provision of law, the Postal Service shall classify and fix the *total* compensation and benefits of all officers and employees in the Postal Service. It shall be the policy of the Postal Service to maintain *total* compensation and benefits for all officers and employees on a standard of comparability to the *total* compensation and benefits paid for comparable levels of work in the *entire* private sector of the economy. No officer or employee shall be paid compensation at a rate in excess of the rate for level I of the Executive Schedule under section 5312 of title 5.

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§ 1005. Applicability of laws relating to Federal employees

(a)(1) * * *

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(3) The provisions of this subsection shall not apply to those individuals appointed under sections 202, 204, and 1001(c) of this title *and section 3 of the Inspector General Act of 1978 (5 U.S.C. App.).*

* * * * * * *

⟦(c) Officers and employees of the Postal Service shall be covered by subchapter I of chapter 81 of title 5, relating to compensation for work injuries.⟧

(c)(1) For purposes of this subsection—

(A) the term "postal employee" means an officer or employee of the Postal Service or the former Post Office Department; and

(B) the term "retirement age" has the meaning given such term under section 216(l)(1) of the Social Security Act.

(2) The Postal Service shall design and administer a program for the payment of benefits for the disability or death of an individual resulting from personal injury sustained while in the performance of such individual's duties as a postal employee.

(3) The program under this subsection—

(A) shall be designed by the Postal Service in consultation with appropriate employee representatives;

(B) shall not provide for any amount payable to a disabled postal employee to be augmented on the basis of number of dependents; and

(C) shall include provisions for automatic transition, upon attainment of retirement age, to benefits involving, coordinated with, or otherwise determined by reference to retirement benefits.

(d)(1) Officers and employees of the Postal Service (other than the Governors) shall be covered by [chapters 83 and 84] *chapters 83, 84, 87, and 89* of title 5. The Postal Service shall withhold from pay and shall pay into the Civil Service Retirement and Disability Fund the amounts specified in or determined under such chapter 83 and subchapter II of such chapter 84, respectively. The Postal Service shall pay into the Federal Retirement Thrift Savings Fund the amounts specified in or determined under subchapters III and VII of such chapter 84. *Beginning not later than January 1, 2020, the Postal Service shall withhold from pay and shall pay into the Employees Life Insurance Fund and the Employee Health Benefits Fund the amounts specified in or determined under chapters 87 and 89, respectively.*

* * * * * * *

(f) Compensation, benefits, and other terms and conditions of employment in effect immediately prior to the effective date of this section, whether provided by statute or by rules and regulations of the former Post Office Department or the executive branch of the Government of the United States, shall continue to apply to officers and employees of the Postal Service, until changed by the Postal Service in accordance with this chapter and chapter 12 of this title. Subject to the provisions of this chapter and chapter 12 of this title, the provisions of subchapter I of chapter 85 and chapters 87, 89, 89A, and 89B of title 5 shall apply to officers and employees of the Postal Service, unless varied, added to, or substituted for, under this subsection. [No variation, addition, or substitution with respect to fringe benefits shall result in a program of fringe benefits which on the whole is less favorable to the officers and employees than fringe benefits in effect on the effective date of this section, and as to officers and employees for whom there is a collective-bargaining representative, no such variation, addition, or substitution shall be made except by agreement between the collective-bargaining representative and the Postal Service.]

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§ 1012. Official time reporting

(a) Not later than March 31 of each calendar year, the Postal Service, in consultation with the Office of Management and Budget, shall submit to each House of Congress a report on the operation of this section during the fiscal year last ending before the start of such calendar year.

(b) Each report by the Postal Service under this subsection shall include, with respect to the fiscal year described in subsection (a), at least the following information:

(1) The total amount of official time granted to employees.

(2) The average amount of official time expended per bargaining unit employee.

(3) The specific types of activities or purposes for which official time was granted, and the impact which the granting of such official time for such activities or purposes had on agency operations.

(4) The total number of employees to whom official time was granted, and, of that total, the number who were not engaged in any activities or purposes except activities or purposes involving the use of official time.

(5) The total amount of compensation (including fringe benefits) afforded to employees in connection with activities or purposes for which they were granted official time.

(c) All information included in a report by the Postal Service under this subsection with respect to a fiscal year—

(1) shall be shown both for each supervisory and managerial organization recognized under section 1004 and labor organization recognized under section 1203 and for all organizations together; and

(2) shall be accompanied by the corresponding information (submitted by the Postal Service in its report under this subsection) for the fiscal year before the fiscal year to which such report pertains, together with appropriate comparisons and analyses.

(d) For purposes of this subsection, the term "official time" means any period of time, regardless of Postal Service nomenclature—

(1) which may be granted to an employee under this chapter or chapter 12 (including a collective-bargaining agreement entered into under chapter 12) to perform representational or consultative functions; and

(2) during which the employee would otherwise be in a duty status.

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CHAPTER 12—EMPLOYEE-MANAGEMENT AGREEMENTS

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§ 1206. Collective-bargaining agreements

(a) * * *

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(d) Collective-bargaining agreements between the Postal Service and bargaining representatives recognized under section 1203, ratified after the date of enactment of this subsection, shall contain no provision restricting the applicability of reduction-in-force procedures under title 5 with respect to members of the applicable bargaining unit.

(e)(1) If a collective-bargaining agreement between the Postal Service and bargaining representatives recognized under section 1203, ratified after the date of enactment of this subsection, includes reduction-in-force procedures which can be applied in lieu of reduction-in-force procedures under title 5, the Postal Service may, in its discretion, apply with respect to members of the applicable bargaining unit—

(A) the alternative procedures (or, if 2 or more are agreed to, 1 of the alternative procedures); or

(B) the reduction-in-force procedures under title 5.

(2) In no event may, if procedures for the resolution of a dispute or impasse arising in the negotiation of a collective-bargaining agreement (whether through binding arbitration or otherwise) are invoked under this chapter, the award or other resolution reached under such procedures provide for the elimination of, or the substitution of any alternative procedures in lieu of, reduction-in-force procedures under title 5.

§ 1207. Labor disputes

(a) * * *

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[(c)(1) If no agreement is reached within 60 days after the expiration or termination of the agreement or the date on which the agreement became subject to modification under subsection (a) of this section, or if the parties decide upon arbitration but do not agree upon the procedures therefore, an arbitration board shall be established consisting of 3 members, 1 of whom shall be selected by the Postal Service, 1 by the bargaining representative of the employees, and the third by the 2 thus selected. If either of the parties fails to select a member, or if the members chosen by the parties fail to agree on the third person within 5 days after their first meeting, the selection shall be made from a list of names provided by the Director. This list shall consist of not less then 9 names of arbitrators of nationwide reputation and professional nature, who are also members of the National Academy of Arbitrators, and whom the Director has determined are available and willing to serve.

[(2) The arbitration board shall give the parties a full and fair hearing, including an opportunity to present evidence in support of their claims, and an opportunity to present their case in person, by counsel or by other representative as they may elect. Decisions of the arbitration board shall be conclusive and binding upon the parties. The arbitration board shall render its decision within 45 days after its appointment.

[(3) Costs of the arbitration board and mediation shall be shared equally by the Postal Service and the bargaining representative.

[(d) In the case of a bargaining unit whose recognized collective-bargaining representative does not have an agreement with the Postal Service, if the parties fail to reach the agreement within 90 days after the commencement of collective bargaining, a mediator shall be appointed in accordance with the terms in subsection (b) of this section, unless the parties have previously agreed to another procedure for a binding resolution of their differences. If the parties fail to reach agreement within 180 days after the commencement of collective bargaining, and if they have not agreed to another procedure for binding resolution, an arbitration board shall be established to provide conclusive and binding arbitration in accordance with the terms of subsection (c) of this section.]

(c)(1) If no agreement is reached within 30 days after the appointment of a mediator under subsection (b), or if the parties decide upon arbitration before the expiration of the 30-day period, an arbitration board shall be established consisting of 1 member selected by the Postal Service (from the list under paragraph (2)), 1 member selected by the bargaining representative of the employees (from the

list under paragraph (2)), and the mediator appointed under subsection (b).

(2) Upon receiving a request from either of the parties referred to in paragraph (1), the Director of the Federal Mediation and Conciliation Service shall provide a list of not less than 9 individuals who are well qualified to serve as neutral arbitrators. Each person listed shall be an arbitrator of nationwide reputation and professional nature, a member of the National Academy of Arbitrators, and an individual whom the Director has determined to be willing and available to serve. If, within 7 days after the list is provided, either of the parties has not selected an individual from the list, the Director shall make the selection within 3 days.

(3) The arbitration board shall give the parties a full and fair hearing, including an opportunity to present evidence in support of their claims, and an opportunity to present their case in person, by counsel, or by other representative as they may elect. The hearing shall be concluded no more than 40 days after the arbitration board is established.

(4) No more than 7 days after the hearing is concluded, each party shall submit to the arbitration board 2 offer packages, each of which packages shall specify the terms of a proposed final agreement.

(5) If no agreement is reached within 7 days after the last day allowable for the submission of an offer package under paragraph (4), each party shall submit to the arbitration board a single, final offer package specifying the terms of a proposed final agreement.

(6) No later than 3 days after the submission of the final offer packages under paragraph (5), the arbitration board shall select 1 of those packages as its tentative award, subject to paragraph (7).

(7)(A) The arbitration board may not select a final offer package under paragraph (6) unless it satisfies each of the following:

(i) The offer complies with the requirements of sections 101(c) and 1003(a).

(ii) The offer takes into account the current financial condition of the Postal Service.

(iii) The offer takes into account the long-term financial condition of the Postal Service.

(B)(i) If the board unanimously determines, based on clear and convincing evidence presented during the hearing under paragraph (3), that neither final offer package satisfies the conditions set forth in subparagraph (A), the board shall by majority vote—

(I) select the package that best meets such conditions; and

(II) modify the package so selected to the minimum extent necessary to satisfy such conditions.

(ii) If modification (as described in subparagraph (B)(i)(II)) is necessary, the board shall have an additional 7 days to render its tentative award under this subparagraph.

(8) The parties may negotiate a substitute award to replace the tentative award selected under paragraph (6) or rendered under paragraph (7) (as the case may be). If no agreement on a substitute award is reached within 10 days after the date on which the tentative award is so selected or rendered, the tentative award shall become final.

(9) The arbitration board shall review any substitute award negotiated under paragraph (8) to determine if it satisfies the conditions

set forth in paragraph (7)(A). If the arbitration board, by a unanimous vote taken within 3 days after the date on which the agreement on the substitute award is reached under paragraph (8), determines that the substitute award does not satisfy such conditions, the tentative award shall become final. In the absence of a vote, as described in the preceding sentence, the substitute agreement shall become final.

(10) If, under paragraph (5), neither party submits a final offer package by the last day allowable under such paragraph, the arbitration board shall develop and issue a final award no later than 20 days after such last day.

(11) A final award or agreement under this subsection shall be conclusive and binding upon the parties.

(12) Costs of the arbitration board and mediation shall be shared equally by the Postal Service and the bargaining representative.

(d) In the case of a bargaining unit whose recognized collective-bargaining representative does not have an agreement with the Postal Service, if the parties fail to reach agreement within 90 days after the commencement of collective bargaining, a mediator shall be appointed in accordance with the provisions of subsection (b), unless the parties have previously agreed to another procedure for a binding resolution of their differences. If the parties fail to reach agreement within 180 days after the commencement of collective bargaining, an arbitration board shall be established to provide conclusive and binding arbitration in accordance with the provisions of subsection (c).

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PART III—MODERNIZATION AND FISCAL ADMINISTRATION

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CHAPTER 20—FINANCE

* * * * * * *

§ 2003. The Postal Service Fund

(a) * * *

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(e)(1) The Fund shall be available for the payment of (A) all expenses incurred by the Postal Service in carrying out its functions as provided by law, subject to the same limitation as set forth in the parenthetical matter under subsection (a); (B) all expenses of the Postal Regulatory Commission, subject to the availability of amounts appropriated under section 504(d); and (C) all expenses of the Office of Inspector General, subject to the availability of amounts appropriated under section ⟦8G(f)⟧ *8M(d)* of the Inspector General Act of 1978. The Postmaster General shall transfer from the Fund to the Secretary of the Treasury for deposit in the Department of the Treasury Forfeiture Fund amounts appropriate to reflect the degree of participation of Department of the Treasury law enforcement organizations (described in section 9703(p) of title 31) in the law enforcement effort resulting in the forfeiture pursuant to laws enforced or administered by the Postal Service. Neither the Fund nor any of the funds credited to it shall be subject to apportionment under the provisions of subchapter II of chapter 15 of title 31.

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§ 2009. Annual budget

The Postal Service shall cause to be prepared annually a budget program which shall be submitted to the Office of Management and Budget, under such rules and regulations as the President may establish as to the date of submission, the form and content, the classifications of data, and the manner in which such budget program shall be prepared and presented. The budget program shall be a business-type budget, or plan of operations, with due allowance given to the need for flexibility, including provision for emergencies and contingencies, in order that the Postal Service may properly carry out its activities as authorized by law. The budget program shall contain estimates of the financial condition and operations of the Postal Service for the current and ensuing fiscal years and the actual condition and results of operation for the last completed fiscal year. Such budget program shall include a statement of financial condition, a statement of income and expense, an analysis of surplus or deficit, a statement of sources and application of funds, and such other supplementary statements and information as are necessary or desirable to make known the financial condition and operations of the Postal Service. Such statements shall include estimates of operations by major types of activities, together with estimates of administrative expenses and estimates of borrowings. The budget program shall also include separate statements of the amounts which (1) the Postal Service requests to be appropriated under subsections (b) and (c) of section 2401, (2) the Office of Inspector General of the United States Postal Service requests to be appropriated, out of the Postal Service Fund, under section ⟦8G(f)⟧ *8M(d)* of the Inspector General Act of 1978⟦, and (3)⟧*, (3)* the Postal Regulatory Commission requests to be appropriated, out of the Postal Service Fund, under section 504(d) of this title⟦.⟧*, and (4) the Postal Service Financial Responsibility and Management Assistance Authority requests to be appropriated, out of the Postal Service Fund, under section 205 of the Postal Reform Act of 2013.* The President shall include these amounts, with his recommendations but without revision, in the budget transmitted to Congress under section 1105 of title 31.

* * * * * * *

§ 2012. Supplementary borrowing authority

(a) SUPPLEMENTARY BORROWING AUTHORITY.—Upon the commencement of the control period, subject to the approval of the Authority, the Postal Service is authorized to borrow money and issue and sell such obligations as may be necessary to carry out the pur-

poses of this title, to the same extent, in the same manner, and subject to the same terms and conditions as if the maximum amount allowable under the provisions of section 2005(a)(2) for the fiscal year involved were equal to the maximum amount which (but for this section) would otherwise be allowable under such provisions, increased by $5,000,000,000.

(b) SUNSET.—The authority to borrow money and to issue and sell obligations under subsection (a) shall cease to be available after September 30, 2022.

(c) DEPOSIT.—Any amounts received under this section shall be deposited in the Postal Service Fund.

(d) PROPERTIES TO BE SET ASIDE.—Notwithstanding section 2005(b)(2), the Postal Service shall take such measures as may be necessary and appropriate so that, during any period in which the Postal Service is using supplemental borrowing authority under subsection (a), a sufficient amount of real property has been pledged or otherwise set aside by the Postal Service to carry out subsection (e).

(e) OUTSTANDING SUPPLEMENTAL DEBT REDUCTION.—

(1) IN GENERAL.—In the case of any full fiscal year in which the Postal Service borrows funds pursuant to subsection (a), the Postal Service shall, not later than September 30 of such fiscal year, deposit into the Postal Service Fund an amount such that the total obligations accrued and outstanding pursuant to subsection (a) are, as of the close of such fiscal year, at least 20 percent less than the total obligations so accrued and outstanding as of the start of such fiscal year.

(2) SENSE OF CONGRESS.—It is the sense of Congress that, to achieve the requirement of paragraph (1), the Postal Service should dispose of such real property as may be necessary.

(f) DEFINITIONS.—For purposes of this section—

(1) the term "Authority" means the Postal Service Financial Responsibility and Management Assistance Authority, established in title II of the Postal Reform Act of 2013; and

(2) the term "control period" has the meaning given such term in section 202(b)(1) of such Act.

§2013. Postal Service Delivery-Point Modernization Fund

(a) ESTABLISHMENT.—There is established within the Treasury of the United States a revolving fund to be known as the "Postal Service Delivery-Point Modernization Fund", which shall be available without fiscal year limitation pursuant to the requirements of this section.

(b) FUNDING.—

(1) AUTHORIZATION.—The Postal Service is authorized to borrow money and to issue and sell such obligations as it determines necessary solely to carry out the purposes of section 3692. The aggregate amount of obligations issued by the Postal Service which may be outstanding at any one time under this paragraph shall not exceed $1,000,000,000.

(2) APPLICABILITY OF SECTION 2005.—The provisions of subsections 2005(b), (c), and (d) shall apply to obligations issued under this subsection.

(3) DEPOSIT.—Any amounts received by the Postal Service as a result of paragraph (1) shall be deposited in the Postal Service Delivery-Point Modernization Fund.

(c) SUNSET.—The authority to borrow money and to issue and sell obligations under subsection (b) shall cease to be available after September 30, 2023.

(d) BUDGETARY TREATMENT.—The receipts and disbursements of the Postal Service Delivery-Point Modernization Fund shall be accorded the same budgetary treatment as is accorded to receipts and disbursements of the Postal Service Fund under section 2009a.

(e) TERMINATION OF FUND.—On September 30, 2023, any funds remaining in the Postal Service Delivery-Point Modernization Fund shall be used to satisfy any remaining obligations under subsection (b)(1), and any funds in excess of such obligations shall be deposited in the Postal Service Fund. After any excess funds have been so deposited, the Postal Service Delivery-Point Modernization Fund shall be terminated.

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CHAPTER 24—APPROPRIATIONS AND ANNUAL REPORT

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SEC. 2401. APPROPRIATIONS

(a) * * *

⟦(b)(1) As reimbursement to the Postal Service for public service costs incurred by it in providing a maximum degree of effective and regular postal service nationwide, in communities where post offices may not be deemed self-sustaining, as elsewhere, there are authorized to be appropriated to the Postal Service the following amounts:

⟦(A) for each of the fiscal years 1972 through 1979, an amount equal to 10 percent of the sum appropriated to the former Post Office Department by Act of Congress for its use in fiscal year 1971;

⟦(B) for fiscal year 1980, an amount equal to 9 percent of such sum for fiscal year 1971;

⟦(C) for fiscal year 1981, $486,000,000;

⟦(D) for fiscal year 1982, $250,000,000;

⟦(E) for fiscal year 1983, $100,000,000;

⟦(F) for fiscal year 1984, no funds are authorized to be appropriated; and

⟦(G) except as provided in paragraph (2) of this subsection, for each fiscal year thereafter an amount equal to 5 percent of such sum for fiscal year 1971.

⟦(2) After fiscal year 1984, the Postal Service may reduce the percentage figure in paragraph (1)(G) of this subsection, including a reduction to 0, if the Postal Service finds that the amounts determined under such paragraph are no longer required to operate the Postal Service in accordance with the policies of this title.

⟦(c) There are authorized to be appropriated to the Postal Service each year a sum determined by the Postal Service to be equal to the difference between the revenues the Postal Service would have received if sections 3217 and 3403 through 3406 had not been enacted and the estimated revenues to be received on mail carried under such sections. In requesting an appropriation under this subsection for a fiscal year, the Postal Service shall include an amount to reconcile sums authorized to be appropriated for prior fiscal years on the basis of estimated mail volume.

【(d) As reimbursement to the Postal Service for losses which it incurred as a result of insufficient amounts appropriated under section 2401(c) for fiscal years 1991 through 1993, and to compensate for the additional revenues it is estimated the Postal Service would have received under the provisions of section 3626(a) (as last in effect before enactment of the Postal Accountability and Enhancement Act), for the period beginning on October 1, 1993, and ending on September 30, 1998, if the fraction specified in subclause (VI) of section 3626(a)(3)(B)(ii) (as last in effect before enactment of the Postal Accountability and Enhancement Act) were applied with respect to such period (instead of the respective fractions specified in subclauses (I) through (V) thereof), there are authorized to be appropriated to the Postal Service $29,000,000 for each of fiscal years 1994 through 2035.】

PART IV—MAIL MATTER

CHAPTER 36—POSTAL RATES, CLASSES, AND SERVICES

SUBCHAPTER I—PROVISIONS RELATING TO MARKET-DOMINANT PRODUCTS

* * * * * * *

SUBCHAPTER I—PROVISIONS RELATING TO MARKET-DOMINANT PRODUCTS

* * * * * * *

§ 3622. Modern rate regulation

(a) * * *

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(c) FACTORS.—In establishing or revising such system, the Postal Regulatory Commission shall take into account—

(1) * * *

* * * * * * *

(10) the desirability of special classifications for both postal users and the Postal Service in accordance with the policies of this title, including agreements between the Postal Service and postal users, when available on public and reasonable terms to similarly situated mailers, that—

⟦(A) either—

⟦(i) improve the net financial position of the Postal Service through reducing Postal Service costs or increasing the overall contribution to the institutional costs of the Postal Service; or

⟦(ii) enhance the performance of mail preparation, processing, transportation, or other functions; and

⟦(B) do not cause unreasonable harm to the marketplace.⟧

(A) improve the net financial position of the Postal Service by reducing Postal Service costs or increasing the overall contribution to the institutional costs of the Postal Service; and

(B) do not cause—

(i) unfair competitive advantage for the Postal Service or postal users eligible for the agreements; or

(ii) unreasonable disruption to the volume or revenues of other postal users.

* * * * * * *

(d) REQUIREMENTS.—

(1) IN GENERAL.—The system for regulating rates and classes for market-dominant products shall—

(A) * * *

(B) subject to the limitation under subparagraph (A), establish postal rates to fulfill the requirement that each market-dominant class, product, and type of mail service (except for an experimental product or service) bear the direct and indirect postal costs attributable to such class, product, or type through reliably identified causal relationships plus that portion of all other costs of the Postal Service reasonably assignable to such class, product, or type;

(C) establish postal rates for each group of functionally equivalent agreements between the Postal Service and users of the mail that—

(i) cover attributable cost;

(ii) improve the net financial position of the Postal Service; and

(iii) do not cause unreasonable disruption in the marketplace, consistent with subsection (c)(10)(B);

for purposes of this subparagraph, a group of functionally equivalent agreements shall consist of all service agreements that are functionally equivalent to each other within the same market-dominant product, but shall not include agreements within an experimental product;

⟦(B)⟧ *(D)* establish a schedule whereby rates, when necessary and appropriate, would change at regular intervals by predictable amounts;

⟦(C)⟧ *(E)* not later than 45 days before the implementation of any adjustment in rates under this section, including adjustments made under subsection (c)(10)—

(i) * * *

*   *   *   *   *   *   *

【(D)】 *(F)* establish procedures whereby the Postal Service may adjust rates not in excess of the annual limitations under subparagraph (A); and

【(E)】 *(G)* notwithstanding any limitation set under subparagraphs (A) and (C), and provided there is not sufficient unused rate authority under paragraph (2)(C), establish procedures whereby rates may be adjusted on an expedited basis due to either extraordinary or exceptional circumstances, provided that the Commission determines, after notice and opportunity for a public hearing and comment, and within 90 days after any request by the Postal Service, that such adjustment is reasonable and equitable and necessary to enable the Postal Service, under best practices of honest, efficient, and economical management, to maintain and continue the development of postal services of the kind and quality adapted to the needs of the United States.

*   *   *   *   *   *   *

(3) REVIEW.—Ten years after the date of enactment of the Postal Accountability and Enhancement Act and as appropriate thereafter, the Commission shall review the system for regulating rates and classes for market-dominant products established under this section to determine if the system is achieving the objectives in subsection (b), taking into account the factors in subsection (c). If the Commission determines, after notice and opportunity for public comment, that the system is not achieving the objectives in subsection (b), taking into account the factors in 【subsection (c),】 *subsection (c) and the provisions of title IV of the Postal Reform Act of 2013,* the Commission may, by regulation, make such modification or adopt such alternative system for regulating rates and classes for market-dominant products as necessary to achieve the objectives.

(4) PRC STUDY.—

(A) IN GENERAL.—Within 90 days after the end of the first fiscal year beginning after the date of enactment of the Postal Reform Act of 2013, the Postal Regulatory Commission shall complete a study to determine the quantitative impact of the Postal Service's excess capacity on the direct and indirect postal costs attributable to any class that bears less than 100 percent of its costs attributable (as described in paragraph (1)(B)), according to the most recent annual determination of the Postal Regulatory Commission under section 3653.

(B) REQUIREMENTS.—The study required under subparagraph (A) shall—

(i) be conducted pursuant to regulations that the Postal Regulatory Commission shall prescribe within 90 days after the date of enactment of the Postal Reform Act of 2013, taking into account existing regulations for proceedings to improve the quality, accuracy,

or completeness of ratemaking information under section 3652(e)(2) in effect on such date; and

(ii) for any year in which any class of mail bears less than 100 percent of its costs attributable (as described in paragraph (1)(B)), be updated annually by the Postal Service and included in its annual report to the Commission under section 3652, using such methodologies as the Commission shall by regulation prescribe.

(5) ADDITIONAL RATES.—Starting not earlier than 12 months and not later than 18 months after the date on which the first study described in paragraph (4) is completed, and at least once in each subsequent 12-month period, the Postal Service shall establish postal rates for each loss-making class of mail to eliminate such losses (other than those caused by the Postal Service's excess capacity) by exhausting all unused rate authority as well as maximizing incentives to reduce costs and increase efficiency, subject to the following:

(A) The term "loss-making", as used in this paragraph with respect to a class of mail, means a class of mail that bears less than 100 percent of its costs attributable (as described in paragraph (1)(B)), according to the most recent annual determination of the Postal Regulatory Commission under section 3653, adjusted to account for the quantitative effect of excess capacity on the costs attributable of the class.

(B) Unused rate authority shall be annually increased by 2 percentage points for each class of mail that bears less than 90 percent of its costs attributable (as described in paragraph (1)(B)), according to the most recent annual determination of the Postal Regulatory Commission under section 3653, adjusted to account for the quantitative effect of excess capacity on the costs attributable of the class, with such increase in unused rate authority to take effect 30 days after the date that the Commission issues such determination.

(6) EXCEPTION.—The requirements of paragraph (1)(B) shall not apply to a market-dominant product for which a substantial portion of the product's mail volume consists of inbound international mail with terminal dues rates determined by the Universal Postal Union (and not by bilateral agreements or other arrangements).

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§ 3626. Reduced rates

(a) * * *

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⟦(e)(1) In the administration of this section, the rates for third-class mail matter mailed by a qualified political committee shall be the rates currently in effect under former section 4452 of this title for third-class mail matter mailed by a qualified nonprofit organization.

⟦(2) For purposes of this subsection—

⟦(A) the term "qualified political committee" means a national or State committee of a political party, the Republican and Democratic Senatorial Campaign Committees, the Democratic National Congressional Committee, and the National Republican Congressional Committee;

⟦(B) the term "national committee" means the organization which, by virtue of the bylaws of a political party, is responsible for the day-to-day operation of such political party at the national level; and

⟦(C) the term "State committee" means the organization which, by virtue of the bylaws of a political party, is responsible for the day-to-day operation of such political party at the State level.⟧

* * * * * * *

⟦§ 3627. Adjusting free rates

⟦If Congress fails to appropriate an amount authorized under section 2401(c) of this title for any class of mail sent free of postage under section 3217 or 3403-3406 the rate for that class may be adjusted in accordance with the provisions of this subchapter so that the increased revenues received from the users of such class will equal the amount for that class that the Congress was to appropriate.⟧

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SUBCHAPTER II—PROVISIONS RELATING TO COMPETITIVE PRODUCTS

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§ 3632. Action of the Governors

(a) * * *

(b) PROCEDURES.—

(1) * * *

* * * * * * *

(4) RATES FOR STREAMLINED REVIEW.—In the case of rates not of general applicability for competitive products that the Postmaster General considers eligible for streamlined review under section 3633(c), the Postmaster General shall cause the agreement to be filed with the Postal Regulatory Commission by a date that is on or before the effective date of any new rate established under the agreement, as the Postmaster General considers appropriate.

⟦(4)⟧ *(5)* CRITERIA.—As part of the regulations required under section 3633, the Postal Regulatory Commission shall establish criteria for determining when a rate or class established under this subchapter is or is not of general applicability in the Nation as a whole or in any substantial region of the Nation.

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§ 3633. Provisions applicable to rates for competitive products

(a) * * *

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(c) STREAMLINED REVIEW.—Not later than 90 days after the date of enactment of this subsection, after notice and opportunity for comment, the Postal Regulatory Commission shall promulgate (and may from time to time thereafter revise) regulations for streamlined after-the-fact review of newly proposed agreements between the Postal Service and users of the mail that provide rates not of general applicability for competitive products. Streamlined review shall apply only if agreements are functionally equivalent to existing agreements that have collectively covered attributable costs and collectively improved the net financial position of the Postal Service. The regulations issued under this subsection shall provide that streamlined review shall be concluded not later than 5 business days after the date on which the agreement is filed with the Commission and shall be limited to approval or disapproval of the agreement as a whole based on the Commission's determination of its functional equivalence. Agreements not approved may be resubmitted without prejudice under section 3632.

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SUBCHAPTER III—PROVISIONS RELATING TO EXPERIMENTAL AND NEW PRODUCTS

§ 3641. Market tests of experimental products

(a) * * *

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(e) DOLLAR-AMOUNT LIMITATION.—

(1) IN GENERAL.—A product may only be tested under this section if the total revenues that are anticipated, or in fact received, by the Postal Service from such product do not exceed [$10,000,000] *$50,000,000* in any year, subject to paragraph (2) and subsection (g). In carrying out the preceding sentence, the Postal Regulatory Commission may limit the amount of revenues the Postal Service may obtain from any particular geographic market as necessary to prevent market disruption (as defined under subsection (b)(2)).

(2) EXEMPTION AUTHORITY.—The Postal Regulatory Commission may, upon written application of the Postal Service, exempt the market test from the limit in paragraph (1) if the total revenues that are anticipated, or in fact received, by the Postal Service from such product do not exceed [$50,000,000] *$100,000,000* in any year, subject to subsection (g). In reviewing an application under this paragraph, the Postal Regulatory Commission shall approve such application if it determines that—

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SUBCHAPTER IV—REPORTING REQUIREMENTS AND RELATED PROVISIONS

* * * * * * *

§ 3652. Annual reports to the Commission

(a) COSTS, REVENUES, RATES, AND SERVICE.—Except as provided in subsection (c), the Postal Service shall, no later than 90 days after the end of each year, prepare and submit to the Postal Regulatory Commission a report (together with such nonpublic annex to the report as the Commission may require under subsection (e))—

(1) which shall analyze costs, revenues, rates, and quality of service, using such methodologies as the Commission shall by regulation prescribe, and in sufficient detail to demonstrate that all products during such year complied with all applicable requirements of this title; **[**and**]**

(2) which shall, for each market-dominant product provided in such year, provide—

(A) * * *

(B) measures of the quality of service afforded by the Postal Service in connection with such product, including—

(i) * * *

(ii) the degree of customer satisfaction with the service provided**[**.**]***; and*

(3) which shall provide the overall change in Postal Service productivity and the resulting effect of such change on overall Postal Service costs during such year, using such methodologies as the Commission shall by regulation prescribe.

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§ 3653. Annual determination of compliance

(a) * * *

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(c) WRITTEN DETERMINATION.—Each annual written determination of the Commission under this section shall include the following:

(1) REQUIREMENTS.—For each group of functionally equivalent agreements between the Postal Service and users of the mail, whether such group fulfilled requirements to—

(A) cover costs attributable; and

(B) improve the net financial position of the Postal Service.

(2) NONCOMPLIANCE.—Any group of functionally equivalent agreements not meeting subparagraphs (A) and (B) of paragraph (1) shall be determined to be in noncompliance under this subsection.

(3) DEFINITION.—For purposes of this subsection, a group of functionally equivalent agreements shall consist of 1 or more service agreements that are functionally equivalent to each other within the same market-dominant or competitive product, but shall not include agreements within an experimental product.

[(c)**]** *(d)* NONCOMPLIANCE WITH REGARD TO RATES OR SERVICES.—If, for a year, a timely written determination of noncompliance is made under subsection (b), the Postal Regulatory Commission shall take appropriate action in accordance with subsections (c) and (e) of section 3662 (as if a complaint averring such noncompliance had been duly filed and found under such section to be justified).

[(d)**]** *(e)* REVIEW OF PERFORMANCE GOALS.—The Postal Regulatory Commission shall also evaluate annually whether the Postal Service has met the goals established under sections 2803 and

2804, and may provide recommendations to the Postal Service related to the protection or promotion of public policy objectives set out in this title.

[(e)] *(f)* REBUTTABLE PRESUMPTION.—A timely written determination described in the last sentence of subsection (b) shall, for purposes of any proceeding under section 3662, create a rebuttable presumption of compliance by the Postal Service (with regard to the matters described under paragraphs (1) and (2) of subsection (b)) during the year to which such determination relates.

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SUBCHAPTER V—POSTAL SERVICES, COMPLAINTS, AND JUDICIAL REVIEW

§ 3661. Postal services

(a) * * *

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(d)(1) The Commission shall issue its opinion within 90 days after the receipt of any proposal (as referred to in subsection (b)) concerning—

(A) the closing or consolidation of postal retail facilities (as that term is defined in section 2(2) of the Postal Reform Act of 2013) to a degree that will generally affect service on a nationwide or substantially nationwide basis; or

(B) an identical or substantially identical proposal on which the Commission issued an opinion within the preceding 5 years.

(2) If necessary in order to comply with the 90-day requirement under paragraph (1), the Commission may apply expedited procedures which the Commission shall by regulation prescribe.

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SUBCHAPTER VII—MODERN SERVICE STANDARDS

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§ 3692. Delivery-point modernization

(a) DEFINITIONS.—For the purposes of this section—

(1) the term "delivery point" means a mailbox or other receptacle to which mail is delivered;

(2) the term "primary mode of mail delivery" means the typical method by which the Postal Service delivers letter mail to the delivery point of a postal patron;

(3) the term "door delivery" means a primary mode of mail delivery whereby mail is placed into a slot or receptacle at or near the postal patron's door or is hand delivered to a postal patron, but does not include curbside or centralized delivery;

(4) the term "centralized delivery" means a primary mode of mail delivery whereby mail receptacles of a number of delivery points are grouped or clustered at a single location; and

(5) the term "curbside delivery" means a primary mode of mail delivery whereby a mail receptacle is situated at the edge of a sidewalk abutting a road or curb, at a road, or at a curb.

(b) POLICY.—It shall be the policy of the Postal Service to use the most cost-effective primary mode of mail delivery feasible for postal patrons.

(c) PHASEOUT OF DOOR DELIVERY.—

(1) NEW ADDRESSES.—Subject to paragraph (4), the Postal Service shall implement a program, wherever feasible, to provide a primary mode of mail delivery other than door delivery to new addresses established after the date of enactment of this section.

(2) BUSINESS ADDRESS CONVERSION.—Subject to paragraph (4), the Postal Service shall implement a program to convert existing business addresses with door delivery to centralized delivery to the maximum extent feasible. In cases in which conversion to centralized delivery is impractical, conversion to curbside delivery shall be implemented to the maximum extent feasible.

(3) RESIDENTIAL ADDRESS CONVERSION.—

(A) IDENTIFICATION.—Within one year after the date of enactment of this section, each district office shall identify residential addresses within its service area that are appropriate candidates for conversion from door delivery to curbside or centralized delivery, in accordance with standards established by the Postal Service.

(B) VOLUNTARY CONVERSION.—Subject to paragraph (4), the Postal Service shall seek to voluntarily convert the delivery points identified under subparagraph (A) from door delivery to more cost-effective primary modes of mail delivery.

(C) PROCEDURES.—In carrying out conversions under subparagraph (B), the Postal Service shall establish procedures to—

(i) solicit, consider, and respond to input from postal patrons, State and local governments, local associations, and property owners; and

(ii) place centralized delivery points in locations that maximize delivery efficiency, ease of use for postal patrons, and respect for private property rights.

(4) CONSIDERATIONS.—In making any determination to convert the primary mode of mail delivery for an existing address from door delivery to any other primary mode of mail delivery, or to provide a primary mode of mail delivery to a new address, the Postal Service shall consider—

(A) the impact of weather conditions, physical barriers, or any other factor that may impact the feasibility of providing a primary mode of mail delivery other than door delivery (such as a factor that may significantly reduce the potential cost savings associated with providing centralized or curbside delivery);

(B) whether the address is in a registered historic district (as that term is defined in section 47(c)(3)(B) of the Internal Revenue Code of 1986) is listed on the National Register of Historic Places, is designated as a National Historic Landmark, or is of historic value; and

(C) population density and the concentration of poverty.

(5) WAIVER FOR PHYSICAL HARDSHIP.—The Postal Service shall establish and maintain a waiver program under which, upon application, door delivery may be continued, or provided, at no cost to the applicant in any case in which—

(A) centralized or curbside delivery would, but for this paragraph, otherwise be the primary mode of mail delivery; and

(B) door delivery is necessary in order to avoid causing significant physical hardship or physical safety risks to a postal patron.

(6) LEGACY DOOR DELIVERY SERVICE.—

(A) IN GENERAL.—The Postal Service may continue to provide, for a fee to be paid by the addressee, door delivery to an address that received door delivery as of January 1, 2013, but was converted to a different primary mode of mail delivery as a result of the requirements of subsection (d).

(B) OFFSET.—The fee shall, when taken in the nationwide aggregate, offset the additional cost to the Postal Service for door delivery (compared to the cost of the primary mode of mail delivery which would otherwise exist for such address) as a result of the requirements of subsection (d).

(C) REQUIREMENTS.—The fee shall be subject to the requirements of section 3622(d)(1)(B) and the Postmaster General may by regulation prescribe the method of the fee's calculation.

(d) MODERNIZATION REQUIREMENT.—

(1) MINIMUM POINTS TO BE CONVERTED.—Not later than September 30, 2022, the Postal Service shall convert not less than 30,000,000 of the door delivery points extant on December 31, 2012, to centralized or curbside delivery.

(2) CONVERSION ORDER.—In determining which delivery points to convert under paragraph (1), postal patrons who voluntarily agree to convert their delivery point or points under subsection (c)(3) shall take precedence over any other conversions to the greatest extent practicable.

(3) PROCEDURES.—In carrying out conversions under paragraph (1), the Postal Service shall establish procedures to—

(A) solicit, consider, and respond to input from the general public, postal patrons, State and local governments, local associations, and property owners which shall include but not be limited to a minimum of a public community meeting prior to the commencement of the conversion of a community, prior to the completion of the conversion of a community and at any point in the process when the District Manager makes a change to the delivery method or the location of centralized delivery points;

(B) calculate and make publicly accessible the cost or savings of the conversion to the Postal Service as well as the average conversion cost or savings to each postal patron and any cost or savings to the State and local government; and

(C) place centralized delivery points in locations that maximize delivery efficiency, ease of use for postal patrons, and respect for private property rights.

(4) FUNDING AND REPAYMENT.—Until September 30, 2022, the Postal Service may withdraw funds from the Postal Service Delivery-Point Modernization Fund to carry out the purposes of this section. All savings accrued by the Postal Service from conversions under this subsection shall be repaid to the Fund on a monthly basis until all funds have been repaid. All funds withdrawn under this paragraph must be repaid not later than September 30, 2023.

(5) VOUCHER PROGRAM.—The Postal Service shall, in accordance with such standards and procedures as the Postal Service shall by regulation prescribe, provide for a voucher program, funded through the Postal Service Delivery Point Modernization Fund, under which, upon application, the Postal Service may defray all or any portion of the costs associated with conversion from door delivery under this section which would otherwise be borne by postal patrons.

(6) TREATMENT OF EXEMPTION.—Addresses receiving door delivery or legacy door delivery as a result of paragraph (5) or (6) of subsection (c)—

(A) shall be counted as addresses that receive the primary mode of mail delivery which the address would be subject to if not for the applicable exemption; and

(B) shall, within 30 days after ceasing to meet the requirements of such paragraph (5) or (6), as applicable, be converted to the primary mode of mail delivery which was otherwise applicable.

(7) ANNUAL REPORTS.—Not later than 60 days after the end of each of fiscal years 2013 through 2023, the Postal Service shall submit to Congress and the Inspector General of the Postal Service a report on the implementation of this section during the most recently completed fiscal year. Each such report shall include—

(A) the number of residential and business addresses that—

(i) receive door delivery as of the end of the fiscal year preceding the most recently completed fiscal year;

(ii) receive door delivery as of the end of the most recently completed fiscal year; and

(iii) during the most recently completed fiscal year, were converted from door delivery to—

(I) centralized delivery points;

(II) curbside delivery points; and

(III) any other primary mode of mail delivery, respectively;

(B) the estimated cost savings from the conversions described in subparagraph (A)(iii);

(C) a description of the progress made by the Postal Service toward meeting the requirements of subsection (c) and paragraph (1) of this subsection; and

(D) any other information which the Postal Service considers appropriate.

(8) INSPECTOR GENERAL AUDIT.—The Inspector General of the Postal Service shall issue an annual audit report on the implementation of the conversion requirement from paragraph (1) not later than 90 days after date on which the Postal Service re-

leases its annual report under paragraph (7). At a minimum, the report under this paragraph shall contain—

(A) an audit of the data contained in the Postal Service's report under paragraph (7); and

(B) an evaluation of the Postal Service's implementation of the procedural requirements described in paragraph (3).

(e) REVIEW.—Subchapters IV and V shall not apply with respect to any action taken by the Postal Service under this section.

* * * * * * *

CHAPTER 37—NONPOSTAL SERVICES

§ 3701. Purpose

This chapter is intended to enable the Postal Service to increase its net revenues through specific nonpostal products and services that are expressly authorized by this chapter. Postal Service revenues and expenses under this chapter shall be funded through the Postal Service Fund.

§ 3702. Definitions

As used in this chapter—

(1) the term "nonpostal services" is limited to services offered by the Postal Service that are expressly authorized by this chapter and are not postal products or services;

(2) the term "attributable costs" has the same meaning as is given such term in section 3631; and

(3) the term "year" means a fiscal year.

§ 3703. Postal Service advertising program

Notwithstanding any other provision of this title, the Postal Service may establish and manage a program that allows entities to advertise at Postal Service facilities, on Postal Service assets, and on Postal Service vehicles. Such a program shall be subject to the following requirements:

(1) The Postal Service shall at all times ensure advertising it permits is consistent with the integrity of the Postal Service.

(2) Any advertising program is required to cover a minimum of 200 percent of its attributable costs in each year.

(3) All advertising expenditures and revenues are subject to annual compliance determination (including remedies for noncompliance) applicable to nonpostal products.

(4) Total advertising expenditures and revenues must be disclosed in Postal Service annual reports.

§ 3704. Postal Service program for State governments

(a) IN GENERAL.—Notwithstanding any other provision of this title, the Postal Service may establish a program to provide services

for agencies of State governments within the United States, but only if such services—

(1) shall provide enhanced value to the public, such as by lowering the cost or raising the quality of such services or by making such services more accessible;

(2) do not interfere with or detract from the value of postal services, including—

(A) the cost and efficiency of postal services; and

(B) unreasonable access to postal retail service, such as customer waiting time and access to parking; and

(3) provide a reasonable contribution to the institutional costs of the Postal Service, defined as reimbursement for each service and covering at least 150 percent of the attributable costs of such service in each year.

(b) PUBLIC NOTICE.—At least 90 days before offering any services under this section, the Postal Service shall make each agreement with State agencies readily available to the public on its Web site, including a business plan that describes the specific services to be provided, the enhanced value to the public, terms of reimbursement, the estimated annual reimbursement to the Postal Service, and the estimated percentage of attributable Postal Service costs that will be covered by reimbursement (with documentation to support these estimates). The Postal Service shall solicit public comment for at least 30 days, with comments posted on its Web site, followed by its written response posted on its Web site at least 30 days before offering such services.

(c) APPROVAL REQUIRED.—The Governors of the Postal Service shall approve the provision of services under this section by a recorded vote, with at least ⅔ of its membership voting for approval, with the vote publicly disclosed on the Postal Service Web site.

(d) CLASSIFICATION OF SERVICES.—All services for a given agency provided under this section shall be classified as a separate activity subject to the requirements of annual reporting under section 3706. Such reporting shall also include information on the quality of service and related information to demonstrate that it satisfied the requirements of subsection (a). Information provided under this section shall be according to requirements that the Postal Regulatory Commission shall by regulation prescribe.

(e) DEFINITIONS.—For the purpose of this section—

(1) the term "State" includes the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and any other territory or possession of the United States; and

(2) the term "United States", when used in a geographical sense, means the States.

§ 3705. Postal Service program for other government agencies

(a) IN GENERAL.—The Postal Service may establish a program to provide property and services for other government agencies within the meaning of section 411, but only if such program provides a reasonable contribution to the institutional costs of the Postal Service, defined as reimbursement by each agency that covers at least 100 percent of the attributable costs of all property and service provided by the Postal Service in each year to such agency.

(b) CLASSIFICATION OF SERVICES.—For each agency, all property and services provided by the Postal Service under this section shall be classified as a separate activity subject to the requirements of annual reporting under section 3706. Information provided under this section shall be according to requirements that the Postal Regulatory Commission shall by regulation prescribe.

§3706. Transparency and accountability for nonpostal services

(a) ANNUAL REPORTS TO THE COMMISSION.—

(1) IN GENERAL.—The Postal Service shall, no later than 90 days after the end of each year, prepare and submit to the Postal Regulatory Commission a report (together with such nonpublic annex to the report as the Commission may require under subsection (b)) which shall analyze costs, revenues, rates, and quality of service for this chapter, using such methodologies as the Commission shall by regulation prescribe, and in sufficient detail to demonstrate compliance with all applicable requirements of this chapter.

(2) AUDITS.—The Inspector General shall regularly audit the data collection systems and procedures utilized in collecting information and preparing such report. The results of any such audit shall be submitted to the Postal Service and the Postal Regulatory Commission.

(b) SUPPORTING MATTER.—The Postal Regulatory Commission shall have access, in accordance with such regulations as the Commission shall prescribe, to the working papers and any other supporting matter of the Postal Service and the Inspector General in connection with any information submitted under this section.

(c) CONTENT AND FORM OF REPORTS.—

(1) IN GENERAL.—The Postal Regulatory Commission shall, by regulation, prescribe the content and form of the public reports (and any nonpublic annex and supporting matter relating to the report) to be provided by the Postal Service under this section. Such reports shall be included with the annual compliance determination reported under section 3653. In carrying out this subsection, the Commission shall give due consideration to—

(A) providing the public with timely, adequate information to assess compliance;

(B) avoiding unnecessary or unwarranted administrative effort and expense on the part of the Postal Service; and

(C) protecting the confidentiality of information that is commercially sensitive or is exempt from public disclosure under section 552(b) of title 5.

(2) REVISED REQUIREMENTS.—The Commission may, on its own motion or on request of any interested party, initiate proceedings (to be conducted in accordance with regulations that the Commission shall prescribe) to improve the quality, accuracy, or completeness of Postal Service data required by the Commission under this subsection whenever it shall appear that—

(A) the attribution of costs or revenues to property or services under this chapter has become significantly inaccurate or can be significantly improved;

(B) the quality of service data provided to the Commission for annual reports under this chapter has become significantly inaccurate or can be significantly improved; or

(C) such revisions are, in the judgment of the Commission, otherwise necessitated by the public interest.

(d) CONFIDENTIAL INFORMATION.—

(1) IN GENERAL.—If the Postal Service determines that any document or portion of a document, or other matter, which it provides to the Postal Regulatory Commission in a nonpublic annex under this section contains information which is described in section 410(c) of this title, or exempt from public disclosure under section 552(b) of title 5, the Postal Service shall, at the time of providing such matter to the Commission, notify the Commission of its determination, in writing, and describe with particularity the documents (or portions of documents) or other matter for which confidentiality is sought and the reasons therefor.

(2) TREATMENT.—Any information or other matter described in paragraph (1) to which the Commission gains access under this section shall be subject to paragraphs (2) and (3) of section 504(g) in the same way as if the Commission had received notification with respect to such matter under section 504(g)(1).

(e) ANNUAL COMPLIANCE DETERMINATION.—

(1) OPPORTUNITY FOR PUBLIC COMMENT.—After receiving the reports required under subsection (a) for any year, the Postal Regulatory Commission shall promptly provide an opportunity for comment on such reports by any interested party, and an officer of the Commission who shall be required to represent the interests of the general public.

(2) DETERMINATION OF COMPLIANCE OR NONCOMPLIANCE.—Not later than 90 days after receiving the submissions required under subsection (a) with respect to a year, the Postal Regulatory Commission shall make a written determination as to whether any nonpostal activities during such year were or were not in compliance with applicable provisions of this chapter (or regulations promulgated under this chapter). The Postal Regulatory Commission shall issue a determination of noncompliance if the requirements for coverage of attributable costs are not met. If, with respect to a year, no instance of noncompliance is found to have occurred in such year, the written determination shall be to that effect.

(3) NONCOMPLIANCE.—If, for a year, a timely written determination of noncompliance is made under this chapter, the Postal Regulatory Commission shall take appropriate action. If the requirements for coverage of attributable costs specified by this chapter are not met, the Commission shall, within 60 days after the determination, prescribe remedial action to restore compliance as soon as practicable, which shall also include the full restoration of revenue shortfalls during the following fiscal year. The Commission may order the Postal Service to discontinue a nonpostal service under section 3703 or 3704 that persistently fails to meet cost coverage requirements.

(4) DELIBERATE NONCOMPLIANCE.—In addition, in cases of deliberate noncompliance by the Postal Service with the requirements of this chapter, the Postal Regulatory Commission may

order, based on the nature, circumstances, extent, and seriousness of the noncompliance, a fine (in the amount specified by the Commission in its order) for each incidence of such noncompliance. All receipts from fines imposed under this subsection shall be deposited in the general fund of the Treasury of the United States.

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PART V—TRANSPORTATION OF MAIL

* * * * * * *

CHAPTER 54—TRANSPORTATION OF MAIL BY AIR

* * * * * * *

§ 5402. Contracts for transportation of mail by air

(a) In this section—

(1) * * *

* * * * * * *

⟦(12) the term "existing mainline carrier" means a mainline carrier (as defined in this subsection) that on January 1, 2001, was—

⟦(A) certified under part 121;

⟦(B) qualified to provide mainline nonpriority bypass mail service; and

⟦(C) actually engaged in the carriage, on scheduled service within the State of Alaska, of mainline nonpriority bypass mail tendered to it under its designator code. ⟧

* * * * * * *

⟦(15) the term "new", when referencing a carrier, means a carrier that—

⟦(A) meets the respective requirements of subclause (I) or (II) of subsection (g)(1)(A)(iv), depending on the type of route being served and the size of aircraft being used to provide service;

⟦(B) began providing nonpriority bypass mail service on a city pair route in the State of Alaska after January 1, 2001; and

⟦(C) is not comprised of previously qualified existing mainline carriers as a result of merger or sale;⟧

* * * * * * *

(g)(1) * * *

* * * * * * *

(4)(A) Except as provided under subparagraph (B) and paragraph (5), the Postal Service shall select only ⟦existing⟧ mainline carriers to provide nonpriority bypass mail service between an acceptance point and a hub point in the State of Alaska.

(B) The Postal Service may select a carrier other than ⟦an existing mainline carrier⟧ *a carrier permitted under subparagraph (A)* to provide nonpriority bypass mail service on a mainline route in the State of Alaska if—

(i) the Postal Service determines (in accordance with criteria established in advance by the Postal Service) that the mail service between the acceptance point and the hub point is deficient and provides written notice of the determination to ⟦existing mainline carriers⟧ *mainline carriers providing service* to the hub point; and

* * * * * * *

(C) A providing carrier selected under subparagraph (A) may subcontract the transportation of nonpriority bypass mail to another ⟦existing⟧ mainline carrier when additional or substitute aircraft are temporarily needed to meet the delivery schedule of the Postal Service or the carrier's operating requirements. The providing carrier shall remain responsible for the mail from origin through destination.

(5)(A) The Postal Service shall offer equitable tender of nonpriority bypass mail to a ⟦new⟧ 121 mainline passenger carrier entering a mainline route in the State of Alaska, if the carrier—

(i) * * *

* * * * * * *

(B) A ⟦new⟧ 121 mainline passenger carrier that is tendered nonpriority mainline bypass mail under subparagraph (A)—

(i) * * *

* * * * * * *

(C) Notwithstanding subparagraph (A) and paragraph (1)(B), a ⟦new⟧ 121 mainline passenger carrier, otherwise qualified under this subsection, may immediately receive equitable tender of nonpriority mainline bypass mail to a hub point in the State of Alaska if the carrier meets the requirements of subparagraphs (A), (C), and (D) of paragraph (1) and subsection (h)(2)(B) and—

(i) * * *

* * * * * * *

(h)(1) * * *

* * * * * * *

(3)(A) Except as provided under subparagraph (C), a ⟦new or existing⟧ 121 bush passenger carrier qualified under subsection (g)(1) shall be exempt from the requirements under paragraphs (1)(B) and (2)(A) on a city pair route for a period which shall extend for—

(i) * * *

* * * * * * *

(i)(1) * * *

* * * * * * *

(3) If a ⟦new⟧ freight carrier enters a market, the freight carrier shall meet the minimum requirements of subsection (g)(1) and shall operate for 12 months on a city pair route in the State of Alaska before being eligible for equitable tender of nonpriority bypass mail on that route.

* * * * * * *

§5404. Reduction of Alaska bypass mail subsidy

(a) COMPETITIVE PRODUCT CLASSIFICATION.—

(1) IN GENERAL.—Except as provided in this section, Alaska bypass mail service under section 5402 shall be treated as a separate competitive product for all purposes.

(2) TRANSFER PROHIBITED.—No part of Alaska bypass mail service may be transferred to the market-dominant category of mail under section 3642.

(3) LIMITATIONS.—Alaska bypass mail service shall not be treated as a competitive product for purposes of the implementation of sections 3633(a) and 3634.

(b) MINIMUM COST COVERAGE.—

(1) IN GENERAL.—The Postal Service shall establish and maintain rates and fees for matter sent by Alaska bypass mail service—

(A) for fiscal year 2014, that cover at least 30 percent of the costs attributable to Alaska bypass mail service in that fiscal year;

(B) for fiscal year 2015, that cover at least 35 percent of the costs attributable to Alaska bypass mail service in that fiscal year;

(C) for fiscal year 2016, that cover at least 40 percent of the costs attributable to Alaska bypass mail service in that fiscal year;

(D) for fiscal year 2017, that cover at least 45 percent of the costs attributable to Alaska bypass mail service in that fiscal year; and

(E) for fiscal year 2018 and for each fiscal year thereafter, that cover at least 50 percent of the costs attributable to Alaska bypass mail service in the applicable fiscal year.

(2) COSTS ATTRIBUTABLE.—The costs attributable to Alaska bypass mail service for a fiscal year shall include all the direct and indirect costs of Alaska bypass mail service during that fiscal year that are attributable to that service through reliably identified causal relationships.

(3) INSTITUTIONAL COSTS.—Costs that can be attributed to Alaska bypass mail service may not be classified as institutional costs of the Postal Service.

(c) COMPLIANCE.—

(1) ANNUAL REVIEW.—At least once each fiscal year, the Postal Regulatory Commission shall determine whether the Postal Service is in compliance with the requirements under subsection (b).

(2) REMEDIAL ACTIONS.—If, under paragraph (1), the Postal Regulatory Commission determines that the Postal Service has not complied with the requirements under subsection (b) with respect to a fiscal year, the Commission shall prescribe, not later than 60 days after making such determination, actions to ensure—

(A) the establishment and maintenance of rates and fees for Alaska bypass mail service that recover any costs required to have been covered for such fiscal year under subsection (b), but that were not covered, by the date that is not later than the last day of the fiscal year that follows such fiscal year; and

(B) compliance with the requirements under subsection (b) in subsequent fiscal years.

(3) LIMITATION.—The Postal Regulatory Commission may not order the Postal Service to discontinue Alaska bypass mail service.

(4) REGULATIONS.—Not later than 90 days after the date of enactment of this subsection, the Postal Regulatory Commission shall issue regulations to implement this subsection.

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INSPECTOR GENERAL ACT OF 1978

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REQUIREMENTS FOR FEDERAL ENTITIES AND DESIGNATED FEDERAL ENTITIES

SEC. 8G. (a) Notwithstanding section 12 of this Act, as used in this section—

(1) * * *

(2) the term "designated Federal entity" means Amtrak, the Appalachian Regional Commission, the Board of Governors of the Federal Reserve System and the Bureau of Consumer Financial Protection, the Board for International Broadcasting, the Commodity Futures Trading Commission, the Consumer Product Safety Commission, the Corporation for Public Broadcasting, the Defense Intelligence Agency, the Equal Employment Opportunity Commission, the Farm Credit Administration, the Federal Communications Commission, the Federal Deposit Insurance Corporation, the Federal Election Commission, the Election Assistance Commission, the Federal Housing Finance Board, the Federal Labor Relations Authority, the Federal Maritime Commission, the Federal Trade Commission, the Legal Services Corporation, the National Archives and Records Administration, the National Credit Union Administration, the National Endowment for the Arts, the National Endowment for the Humanities, the National Geospatial-Intelligence Agency, the National Labor Relations Board, the National Reconnaissance Office, the National Security Agency, the National Science Foundation, the Panama Canal Commission, the Peace Corps, the Pension Benefit Guaranty Corporation, the Securities and Exchange Commission, the Smithsonian Institution, the United States International Trade Commission, ⟦the Postal Regulatory Commission, and the United States Postal Service⟧ *and the Postal Regulatory Commission*;

(3) the term "head of the Federal entity" means any person or persons designated by statute as the head of a Federal entity, and if no such designation exists, the chief policymaking officer or board of a Federal entity as identified in the list published pursuant to ⟦subsection (h)(1)⟧ *subsection (g)(1)* of this section;

(4) the term "head of the designated Federal entity" means the board or commission of the designated Federal entity, or in the event the designated Federal entity does not have a board or commission, any person or persons designated by statute as

the head of a designated Federal entity and if no such designation exists, the chief policymaking officer or board of a designated Federal entity as identified in the list published pursuant to ⟦subsection (h)(1)⟧ *subsection (g)(1)* of this section, except that—

(A) * * *

⟦(B) with respect to the United States Postal Service, such term means the Governors (within the meaning of section 102(3) of title 39, United States Code);⟧

⟦(C)⟧ *(B)* with respect to the Federal Labor Relations Authority, such term means the members of the Authority (described under section 7104 of title 5, United States Code);

⟦(D)⟧ *(C)* with respect to the National Archives and Records Administration, such term means the Archivist of the United States;

⟦(E)⟧ *(D)* with respect to the National Credit Union Administration, such term means the National Credit Union Administration Board (described under section 102 of the Federal Credit Union Act (12 U.S.C. 1752a);

⟦(F)⟧ *(E)* with respect to the National Endowment of the Arts, such term means the National Council on the Arts;

⟦(G)⟧ *(F)* with respect to the National Endowment for the Humanities, such term means the National Council on the Humanities; and

⟦(H)⟧ *(G)* with respect to the Peace Corps, such term means the Director of the Peace Corps;

* * * * * * *

(c) ⟦Except as provided under subsection (f) of this section, the⟧ *The* Inspector General shall be appointed by the head of the designated Federal entity in accordance with the applicable laws and regulations governing appointments within the designated Federal entity. Each Inspector General shall be appointed without regard to political affiliation and solely on the basis of integrity and demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration, or investigations. For purposes of implementing this section, the Chairman of the Board of Governors of the Federal Reserve System shall appoint the Inspector General of the Board of Governors of the Federal Reserve System and the Bureau of Consumer Financial Protection. The Inspector General of the Board of Governors of the Federal Reserve System and the Bureau of Consumer Financial Protection shall have all of the authorities and responsibilities provided by this Act with respect to the Bureau of Consumer Financial Protection, as if the Bureau were part of the Board of Governors of the Federal Reserve System.

* * * * * * *

⟦(f)(1) For purposes of carrying out subsection (c) with respect to the United States Postal Service, the appointment provisions of section 202(e) of title 39, United States Code, shall be applied.

⟦(2) In carrying out the duties and responsibilities specified in this Act, the Inspector General of the United States Postal Service (hereinafter in this subsection referred to as the "Inspector General") shall have oversight responsibility for all activities of the

Postal Inspection Service, including any internal investigation performed by the Postal Inspection Service. The Chief Postal Inspector shall promptly report the significant activities being carried out by the Postal Inspection Service to such Inspector General.

⟦(3)(A)(i) Notwithstanding subsection (d), the Inspector General shall be under the authority, direction, and control of the Governors with respect to audits or investigations, or the issuance of subpoenas, which require access to sensitive information concerning—

⟦(I) ongoing civil or criminal investigations or proceedings;

⟦(II) undercover operations;

⟦(III) the identity of confidential sources, including protected witnesses;

⟦(IV) intelligence or counterintelligence matters; or

⟦(V) other matters the disclosure of which would constitute a serious threat to national security.

⟦(ii) With respect to the information described under clause (i), the Governors may prohibit the Inspector General from carrying out or completing any audit or investigation, or from issuing any subpoena, after such Inspector General has decided to initiate, carry out, or complete such audit or investigation or to issue such subpoena, if the Governors determine that such prohibition is necessary to prevent the disclosure of any information described under clause (i) or to prevent the significant impairment to the national interests of the United States.

⟦(iii) If the Governors exercise any power under clause (i) or (ii), the Governors shall notify the Inspector General in writing stating the reasons for such exercise. Within 30 days after receipt of any such notice, the Inspector General shall transmit a copy of such notice to the Committee on Governmental Affairs of the Senate and the Committee on Government Reform and Oversight of the House of Representatives, and to other appropriate committees or subcommittees of the Congress.

⟦(B) In carrying out the duties and responsibilities specified in this Act, the Inspector General—

⟦(i) may initiate, conduct and supervise such audits and investigations in the United States Postal Service as the Inspector General considers appropriate; and

⟦(ii) shall give particular regard to the activities of the Postal Inspection Service with a view toward avoiding duplication and insuring effective coordination and cooperation.

⟦(C) Any report required to be transmitted by the Governors to the appropriate committees or subcommittees of the Congress under section 5(d) shall also be transmitted, within the seven-day period specified under such section, to the Committee on Governmental Affairs of the Senate and the Committee on Government Reform and Oversight of the House of Representatives.

⟦(4) Nothing in this Act shall restrict, eliminate, or otherwise adversely affect any of the rights, privileges, or benefits of either employees of the United States Postal Service, or labor organizations representing employees of the United States Postal Service, under chapter 12 of title 39, United States Code, the National Labor Relations Act, any handbook or manual affecting employee labor relations with the United States Postal Service, or any collective bargaining agreement.

⟦(5) As used in this subsection, the term "Governors" has the meaning given such term by section 102(3) of title 39, United States Code.

⟦(6) There are authorized to be appropriated, out of the Postal Service Fund, such sums as may be necessary for the Office of Inspector General of the United States Postal Service.⟧

⟦(g)⟧ *(f)*(1) * * *

* * * * * * *

⟦(h)⟧ *(g)*(1) * * *

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SEC. 8M. SPECIAL PROVISIONS CONCERNING THE INSPECTOR GENERAL OF THE UNITED STATES POSTAL SERVICE.

(a) OVERSIGHT OF POSTAL INSPECTION SERVICE.—In carrying out the duties and responsibilities specified in this Act, the Inspector General of the United States Postal Service (in this section referred to as the "Inspector General") shall have oversight responsibility for all activities of the Postal Inspection Service, including any internal investigation performed by the Postal Inspection Service. The Chief Postal Inspector shall promptly report the significant activities being carried out by the Postal Inspection Service to such Inspector General.

(b) SUPERVISION; ADDITIONAL DUTIES AND RESPONSIBILITIES; REPORT.—

(1) AUTHORITY, DIRECTION, AND CONTROL.—

(A) AUDITS, INVESTIGATIONS, SUBPOENAS.—The Inspector General shall be under the authority, direction, and control of the Governors with respect to audits or investigations, or the issuance of subpoenas, which require access to sensitive information concerning—

(i) ongoing civil or criminal investigations or proceedings;

(ii) undercover operations;

(iii) the identity of confidential sources, including protected witnesses;

(iv) intelligence or counterintelligence matters; or

(v) other matters the disclosure of which would constitute a serious threat to national security.

(B) AUTHORITY OF GOVERNORS.—With respect to the information described under subparagraph (A), the Governors may prohibit the Inspector General from carrying out or completing any audit or investigation, or from issuing any subpoena, after such Inspector General has decided to initiate, carry out, or complete such audit or investigation or to issue such subpoena, if the Governors determine that such prohibition is necessary to prevent the disclosure of any information described under subparagraph (A) or to prevent the significant impairment to the national interests of the United States.

(C) NOTICE REQUIRED.—If the Governors exercise any power under subparagraph (A) or (B), the Governors shall notify the Inspector General in writing stating the reasons for such exercise. Within 30 days after receipt of any such notice, the Inspector General shall transmit a copy of such notice to the Committee on Homeland Security and Govern-

mental Affairs of the Senate and the Committee on Oversight and Government Reform of the House of Representatives, and to other appropriate committees or subcommittees of the Congress.

(2) ADDITIONAL DUTIES AND RESPONSIBILITIES.—In carrying out the duties and responsibilities specified in this Act, the Inspector General—

(A) may initiate, conduct, and supervise such audits and investigations in the United States Postal Service as the Inspector General considers appropriate; and

(B) shall give particular regard to the activities of the Postal Inspection Service with a view toward avoiding duplication and insuring effective coordination and cooperation.

(3) REPORT REQUIRED.—Any report required to be transmitted by the Governors to the appropriate committees or subcommittees of the Congress under section 5(d) shall also be transmitted, within the seven-day period specified under such section, to the Committee on Homeland Security and Governmental Affairs of the Senate and the Committee on Oversight and Government Reform of the House of Representatives.

(c) GOVERNORS DEFINED.—As used in this section, the term "Governors" has the meaning given such term by section 102(3) of title 39, United States Code.

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated, out of the Postal Service Fund, such sums as may be necessary for the Office of Inspector General of the United States.

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DEFINITIONS

SEC. 12. As used in this Act—

(1) the term "head of the establishment" means the Secretary of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Housing and Urban Development, the Interior, Labor, State, Transportation, Homeland Security, or the Treasury; the Attorney General; the Administrator of the Agency for International Development, Environmental Protection, General Services, National Aeronautics and Space, or Small Business, or Veterans' Affairs; the Director of the Federal Emergency Management Agency, or the Office of Personnel Management; the Chairman of the Nuclear Regulatory Commission or the Railroad Retirement Board; the Chairperson of the Thrift Depositor Protection Oversight Board; the Chief Executive Officer of the Corporation for National and Community Service; the Administrator of the Community Development Financial Institutions Fund; the chief executive officer of the Resolution Trust Corporation; the Chairperson of the Federal Deposit Insurance Corporation; the Commissioner of Social Security, Social Security Administration; the Director of the Federal Housing Finance Agency; the Board of Directors of the Tennessee Valley Authority; the President of the Export-Import Bank; ⟦or the Federal Cochairpersons of the Commissions established under section 15301 of title 40, United States Code⟧ *the Federal Cochairpersons of the Com-*

missions established under section 15301 of title 40, United States Code; or the Board of Governors of the United States Postal Service; as the case may be;

(2) the term "establishment" means the Department of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Housing and Urban Development, the Interior, Justice, Labor, State, Transportation, Homeland Security, or the Treasury; the Agency for International Development, the Community Development Financial Institutions Fund, the Environmental Protection Agency, the Federal Emergency Management Agency, the General Services Administration, the National Aeronautics and Space Administration, the Nuclear Regulatory Commission, the Office of Personnel Management, the Railroad Retirement Board, the Resolution Trust Corporation, the Federal Deposit Insurance Corporation, the Small Business Administration, the Corporation for National and Community Service, or the Veterans' Administration, the Social Security Administration, the Federal Housing Finance Agency, the Tennessee Valley Authority, the Export-Import Bank, [or the Commissions established under section 15301 of title 40, United States Code] *the Commissions established under section 15301 of title 40, United States Code, or the United States Postal Service*, as the case may be;

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TITLE 5, UNITED STATES CODE

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PART III—EMPLOYEES

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SUBPART G—INSURANCE AND ANNUITIES

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CHAPTER 83—RETIREMENT

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SUBCHAPTER III—CIVIL SERVICE RETIREMENT

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§ 8348. Civil Service Retirement and Disability Fund

(a) * * *

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(h)(1) * * *

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(4) For the purpose of carrying out paragraph (1), consistent with section 8423(b)(1)(B), for fiscal year 2013, and each fiscal year thereafter, the Office—

(A) shall use demographic factors specific to current and former employees of the United States Postal Service, unless such data cannot be generated; and

(B) may use economic assumptions regarding wage and salary growth that reflect the specific past, and likely future, pay for current employees of the United States Postal Service.

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CHAPTER 84—FEDERAL EMPLOYEES' RETIREMENT SYSTEM

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SUBCHAPTER II—BASIC ANNUITY

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§ 8423. Government contributions

(a)(1) Each employing agency having any employees or Members subject to section 8422(a) shall contribute to the Fund an amount equal to the sum of—

(A) the product of—

(i) the normal-cost percentage, as determined for employees (other than employees covered by ⟦subparagraph (B)),⟧ *subparagraph (B) or (C)),* multiplied by

(ii) the aggregate amount of basic pay payable by the agency, for the period involved, to employees (under clause (i)) who are within such agency; ⟦and⟧

(B) the product of—

(i) * * *

(ii) the aggregate amount of basic pay payable by the agency, for the period involved, to employees and Members (under clause (i)) who are within such agency⟦.⟧*; and*

(C) the product of—

(i) the normal-cost percentage, as determined for employees (other than employees covered by subparagraph (B)) of the United States Postal Service under paragraph (5), multiplied by

(ii) the aggregate amount of basic pay payable by the United States Postal Service, for the period involved, to employees of the United States Postal Service.

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(5)(A) In determining the normal-cost percentage for employees of the United States Postal Service for purposes of paragraph (1)(C), the Office—

(i) shall use demographic factors specific to such employees, unless such data cannot be generated; and

(ii) may use economic assumptions regarding wage and salary growth that reflect the specific past, and likely future, pay for such employees.

(B) The United States Postal Service shall provide any data or projections the Office requires in order to determine the normal-cost percentage for employees of the United States Postal Service, consistent with subparagraph (A).

(C) The Office shall review the determination of the normal-cost percentage for employees of the United States Postal Service and make such adjustments as the Office considers necessary—

(i) upon request of the United States Postal Service, but not more frequently than once each fiscal year; and

(ii) at such other times as the Office considers appropriate.

(6) For the purpose of carrying out subsection (b)(1)(B), and consistent with paragraph (5), for fiscal year 2013, and each fiscal year thereafter, the Office—

(A) shall use demographic factors specific to current and former employees of the United States Postal Service, unless such data cannot be generated; and

(B) may use economic assumptions regarding wage and salary growth that reflect the specific past, and likely future, pay for current employees of the United States Postal Service.

(b)(1) * * *

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(4)(A) * * *

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(C) Not later than 30 days after the end of each fiscal year, the Office of Personnel Management shall transfer from Postal Service Federal Employee Retirement System monies within the Civil Service Retirement and Disability Fund to the Postal Service Retiree Health Benefits Fund an amount equal to the negative supplemental liability (if any), as calculated under paragraph (1)(B), for the most recent fiscal year available, less the sum of—

(i) the Postal supplemental liability, calculated under section 8348(h), for the same fiscal year (if any); and

(ii) any contribution required by this section that the Postal Service has not made between the close of the fiscal year of the calculation under paragraph (1)(B) and the close of the most recent fiscal year, as determined by the Office of Personnel Management.

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CHAPTER 89—HEALTH INSURANCE

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§ 8906. Contributions

(a) * * *

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(g)(1) * * *

(2)(A) The Government contributions authorized by this section for health benefits for an individual who first becomes an annuitant by reason of retirement from employment with the United States Postal Service on or after July 1, 1971, or for a survivor of such an individual or of an individual who died on or after July 1, 1971, while employed by the United States Postal Service, shall through September 30, ⟦2016⟧ *2014*, be paid by the United States Postal Service, and thereafter shall be paid first from the Postal Service Retiree Health Benefits Fund up to the amount contained in the Fund, with any remaining amount paid by the United States Postal Service.

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§ 8909a. Postal Service Retiree Health [Benefit] ***Benefits*** **Fund**

(a) * * *

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(d)(1) * * *

(2)(A) * * *

(B) Not later than June 30, [2017] *2015*, the Office shall compute, and by June 30 of each succeeding year shall recompute, a schedule including a series of annual installments which provide for the liquidation of any liability or surplus by September 30, 2056, or within 15 years, whichever is later, of the net present value determined under subparagraph (A), including interest at the rate used in that computation.

(3)(A) The United States Postal Service shall pay into such Fund—

(i) * * *

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(iii) $1,400,000,000, not later than September 30, 2009; *and*

(iv) $5,500,000,000, not later than September 30, 2010[;]*.*

[(v) $5,500,000,000, not later than August 1, 2012;

[(vi) $5,600,000,000, not later than September 30, 2012;

[(vii) $5,600,000,000, not later than September 30, 2013;

[(viii) $5,700,000,000, not later than September 30, 2014;

[(ix) $5,700,000,000, not later than September 30, 2015; and

[(x) $5,800,000,000, not later than September 30, 2016.]

(B) Not later than September 30, [2017] *2015*, and by September 30 of each succeeding year, the United States Postal Service shall pay into such Fund the sum of—

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TITLE 41, UNITED STATES CODE

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SUBTITLE III—CONTRACT DISPUTES

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CHAPTER 71—CONTRACT DISPUTES

§ 7101. Definitions

In this chapter:

(1) * * *

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(8) EXECUTIVE AGENCY.—The term “executive agency” means—

(A) * * *

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(C) an independent establishment as defined in section 104 of title 5, except that the term does not include the Government Accountability Office; **[**and**]**

(D) a wholly owned Government corporation as defined in section 9101(3) of title 31**[**.**]***; and*

(E) the United States Postal Service and the Postal Regulatory Commission.

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MINORITY VIEWS

Congress must enact comprehensive, bipartisan postal reform legislation in order to put the U.S. Postal Service on sustainable financial footing. Although insolvency does not appear to be imminent, the Postal Service is enduring unsustainable losses and will face a liquidity crisis in the near future if Congress fails to act.

Total mail volume has decreased steadily from 213 billion pieces of mail in 2007 to approximately 160 billion pieces of mail in fiscal year 2012. First-class mail volumes, which account for more than 40% of the Postal Service's revenues, are down approximately 28% since 2007. The Postal Service has attributed this decline to advances in communications technology and the effects of the most devastating economic crisis since the Great Depression.

The Postal Service reported a $16 billion loss for fiscal year 2012, $11.1 billion of which was due to defaulted payments to prefund the Retiree Health Benefits Fund as required by the Postal Accountability and Enhancement Act of 2006. The Postal Service continues to forecast declining first-class mail volumes, although increases in standard mail and shipping and packaging services are offsetting some losses.

Given the urgent need for comprehensive, bipartisan reform legislation, it is unfortunate that the majority brought before the Committee a completely partisan bill that would end door-delivery to 30 million customers, degrade existing Postal services, needlessly burden the Postal Service with additional debt, and harm Postal Service employees.

Under the Republican bill, the Postal Service would be required to cease door delivery of mail to 30 million of the nearly 37 million addresses currently receiving that service by 2022—virtually eliminating door mail delivery in the United States. Households currently receiving door delivery could continue to receive this service only if they pay an annual "legacy fee." This provision threatens to create a "Cadillac lane" that allows some households to pay to continue receiving door delivery while requiring families who cannot afford this fee and do not qualify for a waiver to convert to curbside or cluster box delivery points.

The Republican bill would permit the Postal Service to reduce its nationwide delivery schedule of first-class mail to five-days per week upon enactment, while permitting the delivery of packages six days per week. Although the Postal Service has stated in the past that this modified schedule would save approximately $2 billion annually, this estimate is based on a Postal Regulatory Commission advisory opinion from March 2011. Any postal reform legislation enacted by Congress should require the completion of an updated cost-savings analysis before granting the Postal Service the authority to reduce delivery to customers.

The majority report on H.R. 2748 claims that moving to this reduced delivery schedule is "supported by a large majority of the American People, including both rural and low-income Americans," but this claim is unfounded. In the past, Republicans have cited flawed Ipsos polling data suggesting that 83% of Americans 55 and over and 76% of rural Americans support ending Saturday delivery. This poll was conducted online, which leaves those who would most likely oppose ending six-day mail delivery out of the sample, including seniors and rural residents who lack access to reliable internet service. More research needs to be conducted on the impact of a reduced delivery schedule on senior and rural communities.

In addition, there is bipartisan support to continue six-day delivery service. A majority of Members (226) cosponsored the bipartisan Graves-Connolly Resolution (H. Res. 30), expressing the sense of the House of Representatives that the Postal Service "should take all appropriate measures to ensure the continuation of its 6-day mail delivery service."

The Republican bill provides the Postal Service with $5 billion in additional borrowing authority to implement the restructuring provisions included in the bill. This has the potential to increase the Postal Service's existing debt to the U.S. Treasury from $15 billion to $20 billion.

Rather than adding to the Postal Service's existing $15 billion debt, Congress should grant the Postal Service immediate access to the surplus balance held within its Federal Employee Retirement System (FERS) account and authorize the Postal Service to use this funding to reduce its workforce compassionately and to pay down existing debt. Further, the FERS surplus should be recalculated using assumptions that accurately reflect the unique characteristics of the Postal Service's workforce.

The Republican bill also includes several provisions that are not in any way essential to placing the Postal Service on sound financial footing. For example, the bill would remove Postal workers from the existing Federal workers' compensation system and establish a Postal-specific system that would not adjust benefits based on the number of dependents a worker has, and would automatically transition workers into retirement benefits when they reach retirement age. These provisions would significantly reduce the workers' compensation benefits available to Postal employees compared to all other government employees. The bill also would intrude improperly on negotiations between the Postal Service and its employees by prohibiting future labor contracts that do not allow the Postal Service to lay off or dismiss employees unilaterally, including those who have decades of service.

As an alternative to the partisan legislation passed out of the Committee, Democrats have introduced H.R. 2690, the Innovate to Deliver Act of 2013, which would allow the Postal Service to operate more like a business.

Although the Republican bill includes one concept from the Innovate to Deliver Act—a provision to create a new Chief Innovation Officer—the legislation should go further by permitting the Postal Service to provide new services and products. The Postal Service has the ability to utilize its infrastructure and delivery network to provide an array of non-postal services, such as warehousing and logistic services, check-cashing for underserved communities, and public internet access. The Postal Service also should be permitted to ship beer, wine, and spirits in accordance with state laws.

Instead of eliminating essential postal services, the Innovate to Deliver Act would give the Postal Service the tools it needs to continue restructuring its workforce. The Postal Service has indicated that it could reduce its workforce by almost 100,000 employees by offering incentives to retirement-eligible employees. Under the Innovate to Deliver Act, employees could be offered an additional year of service credit if they are participating in the Civil Service Retirement System or up to two additional years of service credit if they are participating in FERS. These measures would permit the Postal Service to continue reducing its workforce in a way that recognizes the service of Postal Service employees.

The Postal Service has served our nation for more than 200 years and today is the backbone of a trillion-dollar commercial mailing industry that employs more than 8 million people. Comprehensive and bipartisan reform legislation enacted by Congress must place the Postal Service on a sustainable financial path by preserving existing services while positioning it to provide products and services that meet our nation's changing communication needs.

ELIJAH E. CUMMINGS,
Ranking Member.

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